

CITY OF NORFOLK, VIRGINIA
\$94,355,000
General Obligation Capital Improvement and Refunding Bonds,
Series 2005

Dated: Date of delivery

Due: March 1, as shown on the inside cover

The City of Norfolk, Virginia prepared this Official Statement to provide information on its Bonds. This cover page presents a summary of selected information for your convenience and does not provide a complete description of the Bonds. To make an informed decision regarding the Bonds, you should read this Official Statement in its entirety.

Tax Exemption

Interest is (1) excludable from gross income for federal income tax purposes, (2) not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (3) excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Interest may be included in calculating a corporation's alternative minimum income tax.

Interest on the Bonds May Be Subject to Other Tax Consequences - See "Legal Opinion and Tax Exemption" on page 6.

Security

The Bonds are general obligations of the City. See page 6.

Redemption

See inside cover.

Authority for Issuance

Ordinance No. 41,719, adopted by The City Council of the City on February 15, 2005, authorizes the issuance of the Bonds.

Purpose

The City will use these proceeds to (i) finance capital projects, (ii) refund certain bonds prior to maturity and (iii) pay costs of issuance of the Bonds. See page 5.

Interest Payment Dates

Semi-annually on March 1 and September 1 beginning September 1, 2005.

Registration

Book-Entry-Only; The Depository Trust Company. See page 3.

Closing/Delivery Date

On or about March 16, 2005.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.

Bond Counsel

McGuireWoods LLP, Richmond, Virginia.

Financial Advisor

Public Financial Management, Inc., Arlington, Virginia.

Registrar/Paying Agent

Director of Finance of the City.

Issuer Contact

Director of Finance of the City. (757) 664-4346

Dated: March 2, 2005

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\$94,355,000
General Obligation Capital Improvement and Refunding Bonds, Series 2005
(Base CUSIP Number 655867)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

Year of Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix
2006	\$3,015,000	2.50%	2.50%	100.000%	BM06
2007	2,955,000	4.50	2.70	103.409	BN88
2008	2,955,000	3.00	2.84	100.450	BP37
2009	2,960,000	3.00	3.01	99.962	BQ10
2010	2,960,000	3.00	3.17	99.224	BR92
2011	5,955,000	5.00	3.33	108.956	BS75
2012	6,845,000	5.00	3.48	109.320	BT58
2013	7,915,000	5.00	3.60	109.611	BU22
2014	7,980,000	5.00	3.70	109.834	BV05
2015	7,990,000	5.00	3.80	109.870	BW87
2016	6,580,000	5.00	3.87	109.263*	BX60
2017	6,580,000	5.00	3.94	108.659*	BY44
2018	6,570,000	4.50	4.17	102.665*	BZ19
2019	5,135,000	4.50	4.23	102.174*	CA58
2020	2,980,000	4.50	4.29	101.685*	CB32
2021	2,985,000	4.50	4.35	101.200*	CC15
2022	2,990,000	4.50	4.41	100.717*	CD97
2023	3,000,000	4.125	4.38	96.850	CE70
2024	3,000,000	4.375	4.55	97.791	CF46
2025	3,005,000	4.500	4.59	98.829	CG29

* Priced to the first optional call date

OPTIONAL REDEMPTION

The Bonds maturing prior to March 1, 2016 are not subject to optional redemption prior to maturity. The Bonds maturing on or after March 1, 2016 are subject to optional redemption prior to their respective maturities on or after March 1, 2015 at the option of the City, in whole or in part (in increments of \$5,000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

CITY OF NORFOLK, VIRGINIA

CITY COUNCIL

Paul D. Fraim, Mayor

Daun S. Hester, Vice Mayor
Anthony L. Burfoot
Paul R. Riddick

Donald L. Williams
Barclay C. Winn
W. Randy Wright

MUNICIPAL OFFICIALS

Regina V.K. Williams, City Manager
Steven G. de Mik, Director of Finance
Bernard A. Pishko, City Attorney

BOND COUNSEL

McGuireWoods LLP
Richmond, Virginia

FINANCIAL ADVISOR

Public Financial Management, Inc.
Arlington, Virginia

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implications that there has been no change in the affairs of the City since the respective dates as of which information is given herein.

No dealer, broker, salesman or any other person has been authorized by the City or the successful bidders to give any information or to make any representations with respect to the City or Bonds issued thereby, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the successful bidders.

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OFFICIAL STATEMENT

Relating to the Issuance of

City of Norfolk, Virginia

\$94,355,000

**General Obligation Capital Improvement and Refunding Bonds,
Series 2005**

PART I THE BONDS

The purpose of this Official Statement, including the financial information contained in Appendix A attached hereto, is to furnish information in connection with the sale by the City of Norfolk, Virginia (the "City"), of its \$94,355,000 General Obligation Capital Improvement and Refunding Bonds, Series 2005 (the "Bonds"). The Bonds will be general obligations of the City to the payment of which the full faith and credit of the City are pledged. This Official Statement has been authorized by the City for use in connection with the sale of the Bonds.

The City has undertaken in the Ordinance, as hereinafter defined, to comply with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC") and as in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. See Appendix C, "FORM OF CONTINUING DISCLOSURE AGREEMENT."

All financial and other information presented in this Official Statement has been provided by the City from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

DESCRIPTION OF THE BONDS

General

The Bonds shall be dated the date of delivery, and shall be payable in annual installments, subject to prior redemption, on March 1 of each year, beginning with the year 2006, and ending with the year 2025, in the principal amounts and at the rates set forth on the inside cover page of this Official Statement. Interest will be payable semiannually on March 1 and September 1, commencing September 1, 2005. Bonds maturing on or after March 1, 2016 may be redeemed prior to their stated maturities at the option of the City, as set forth below.

Optional Redemption

The Bonds maturing prior to March 1, 2016 are not subject to optional redemption prior to maturity. The Bonds maturing on or after March 1, 2016, are subject to optional redemption prior to their respective maturities on or after March 1, 2015, at the option of the City, in whole or in part (in increments of \$5,000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

If less than all of the Bonds maturing on or after March 1, 2016, are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Director of Finance of the City in such manner as he or she in his or her discretion may determine. So long as a book-entry system is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, The Depository Trust Company ("DTC") and its participants shall determine which of the Bonds within a maturity are to be redeemed.

Any notice of optional or extraordinary optional redemption of the Bonds may state that it is conditioned upon there being available on the redemption date an amount of money sufficient to pay the redemption price plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time before the payment of the redemption price of any such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit by the City, the corresponding notice of redemption shall be deemed to be revoked.

Notice of redemption shall be given by certified or registered mail to DTC or its nominee as the registered owner of the Bonds. Such notice shall be mailed not more than 60 days nor less than 30 days before the date fixed for redemption. The City will not be responsible for mailing notices of redemption to the Beneficial Owners of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants and by the New York Stock Exchange LLP, the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of

each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds or Notes is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City has no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (b) the payment by DTC, any Direct Participant or any Indirect

Participant of any amount due to any Beneficial Owner in respect to the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by DTC any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bonds to be given to owners of the Bonds; (d) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner of the Bonds.

AUTHORITY FOR AND PURPOSES OF THE BONDS

The Bonds have been authorized and are being issued pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the “Virginia Code”), and Ordinance No. 41,719 adopted by the City Council on February 15, 2005 (the “Ordinance”). The Ordinance authorized the issuance and sale of up to \$59,320,000 in general obligation capital improvement bonds and up to \$45,000,000 in general obligation refunding bonds to refund earlier bond issues of the City.

The Bonds will be used to fund certain capital improvements and to refund certain outstanding general obligations of the City as set forth in the “Plan of Refunding.”

PLAN OF REFUNDING

A portion of the Bonds (the “Refunding Bonds”) are being issued to provide funds to be used to refund the following bonds (the “Refunded Bonds”):

<u>Issue*</u>	<u>Maturities being Refunded</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption Price</u>	<u>Redemption Date</u>
General Obligation Capital Improvement and Refunding Bonds, Series 1998	July 1, 2010 through July 1, 2018*	\$20,630,000	101%	July 1, 2008
General Obligation Capital Improvement Bonds, Series 1999	July 1, 2010 through July 1, 2017	4,680,000	101%	July 1, 2009
General Obligation Capital Improvement Bonds, Series 2000	July 1, 2011 through July 1, 2017	6,300,000	101%	July 1, 2010
General Obligation Capital Improvement and Refunding Bonds, Series 2002	January 1, 2013 through January 1, 2015*	4,050 000	100%	January 1, 2012

* Only portions of these maturities are being refunded.

The issuance of the Refunding Bonds is subject to market conditions and the City’s ability to realize certain savings targets.

A portion of the proceeds of the Bonds in the amount of \$37,758,247.43 will be deposited with BB&T (the “Escrow Agent”), pursuant to an Escrow Agreement, dated _____, between the City and the Escrow Agent (the “Escrow Agreement”). The Escrow Agreement will provide for the purchase of direct, non-callable obligations of the United States Treasury (the “Escrow Securities”) that will mature and bear interest at times and in amounts sufficient to pay the principal of, premium and interest on the Refunded Bonds through their respective redemption dates.

ESTIMATED SOURCES AND USES

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

Sources of Funds	
Par Amount of Bonds	\$94,355,000.00
Plus: Net Original Issue Premium	<u>4,972,805.45</u>
Total Sources	<u>\$99,327,805.45</u>
Uses of Funds	
General Capital Fund	\$57,158,320.19
Stormwater Fund	2,000,000.00
Wastewater Fund	1,960,000.00
Deposit to Excrow	37,758,247.43
Issuance Expenses	<u>451,237.83</u>
Total Uses	<u>\$99,327,805.45</u>

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are general obligations of the City for the payment of which the City's full faith and credit are irrevocably pledged. While the Bonds remain outstanding and unpaid, the City Council is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of, and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

Bond Insurance

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix H for a specimen of MBIA's policy.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Company to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of

competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds], such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "The MBIA Insurance Policy". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the “SEC”) are incorporated herein by reference:

- (1) The Company’s Annual Report on Form 10-K for the year ended December 31, 2003; and
- (2) The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company’s most recent Quarterly Report on form 10-Q, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company’s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov>; (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at the Company’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2004 MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$6.7 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA “AAA.”

Fitch Ratings rates the financial strength of MBIA “AAA.”

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Bondholders' Remedies in Event of Default

Section 15.2-2659 of the Virginia Code provides that upon affidavit of any owner, or any paying agent therefore, of a general obligation bond in default as to payment of principal or interest, the Governor of the Commonwealth of Virginia (the "Commonwealth") shall conduct a summary investigation. If such default is established to the Governor's satisfaction, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659, or its predecessors, Sections 15.1-225 and 15.1-227.61, has ever been issued. Although Section 15.2-2659 has not been tested by a Virginia court, the Attorney General of Virginia has opined that appropriated funds may be withheld by the Commonwealth pursuant to one of its predecessors, Section 15.1-225. In the fiscal year ended June 30, 2004, the Commonwealth provided \$86,717,823 to the City which was deposited in the City's General Fund.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on the Bondholders, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be reliably predicted and may be significantly affected by judicial interpretation.

LEGAL OPINION AND TAX EXEMPTION

General

Bond Counsel's opinion with respect to the Bonds, in substantially the form of Appendix B, will state that, under current law and assuming compliance with the Covenants (as defined below), interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code")), interest on the Bonds must be included in computing adjusted current earnings.

Bond Counsel will express no other opinions regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion will also state that, under current law, interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Prospective purchasers of the Bonds should consult their own tax advisors regarding the tax status of the interest on the Bonds in a particular state or local jurisdiction other than Virginia.

In delivering its opinions, Bond Counsel is (a) relying upon certifications of representatives of the City as to facts material to the opinion, and (b) assuming continuing compliance with the Covenants (as defined below) by the City, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes and not become a Specific Tax Preference Item. The City has covenanted to comply with the provisions of the Code applicable to the Bonds, including among other things, requirements as to the use, expenditure and investment of proceeds of the Bonds, the use of the property financed by the Bonds, the source of the payment of and security for the Bonds, the arbitrage yield restrictions and rebate requirements imposed by the Code and certain other actions that could cause interest on the Bonds to be includable in gross income of their owners (the "Covenants"). Failure of the City to comply with the Covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactive to their date of issue.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective purchasers of Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Discount

The "original issue discount" ("OID") of any Bond is the excess of the Bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of the Bond. The "issue price" of a Bond is the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of a Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, prospective purchasers of Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID that would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts

received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes.

The accrual of OID and its effect on redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Original Issue Premium

In general, if an owner acquires a bond for a purchase price or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislative or Regulatory Action

Legislation affecting municipal securities is continually being considered by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or the market price of the Bonds. In addition, the Internal Revenue Service has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that an audit initiated or other enforcement or regulatory action taken by the Internal Revenue Service involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

PENDING LITIGATION

The City, in the course of doing business, has been named as defendant in certain personal injury cases and suits for property damage.

These suits are being defended by the City Attorney and associated independent counsel retained by the City Attorney, and it is the opinion of the City Attorney that any possible losses in connection with the above pending litigation will not materially and adversely affect the City's financial condition. The City Attorney is also of the opinion that the above pending litigation will not affect the validity of the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of the Bonds or the interest thereon. There is no pending litigation with respect to the Bonds or the ability of the City to levy and collect ad valorem taxes for the payment of such Bonds or the premium, if any, or interest thereon.

RATINGS

The City has requested that the Bonds be rated and has furnished certain information to the rating agencies including information that may not be included in this Official Statement. The Bonds have been rated 'Aaa' by Moody's Investors Service, Inc. ("Moody's"), 'AAA' by Standard & Poor's Ratings Services ("Standard & Poor's"), a division of The McGraw-Hill Companies, Inc., and 'AAA' by Fitch Ratings ("Fitch") based on the bond insurance policy sold by MBIA Insurance Corporation.

The ratings reflect only the views of the respective rating agency. Any explanation of the significance of the ratings may be obtained only from the respective rating agency. Generally, rating agencies base their ratings upon information and materials provided to them and upon investigations, studies and assumptions by the rating agencies. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's, Standard & Poor's or Fitch. Such action may have an adverse effect on the market price of the Bonds. The City has not undertaken any responsibility after the issuance of the Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

FINANCIAL STATEMENTS

The City's audited general purpose financial statements for the Fiscal Year Ended June 30, 2004, are published in Appendix A with accompanying notes. In addition, Appendix A also includes a report of the City's independent accountants.

CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish (1) a certificate, dated the date of delivery of the Bonds, signed by the officers who sign the Bonds, stating that, to the best of their knowledge, no litigation is then pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal, premium, if any, or interest thereon or in any manner questioning the proceedings and authority under which the Bonds are issued and (2) a certificate dated the date of delivery of the Bonds signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement including the Appendices hereto (except in the section entitled "PENDING LITIGATION" or relating to DTC) at the time of acceptance of the proposal for the Bonds and at the date of delivery were and are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The City Attorney will furnish, concurrently with the delivery of the Bonds, a certificate dated the date of delivery of the Bonds stating that no litigation is pending or, to the best of his knowledge, threatened against the City either (1) to restrain or enjoin the issuance or delivery of the Bonds, (2) to question in any manner the authority of the City to issue or the issuance of the Bonds, or the validity of any proceedings authorizing the Bonds or the levy or collection of taxes to pay the Bonds or (3) to question in any manner the boundaries of the City or the title of any officers of the City to their respective offices.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc. of Arlington, Virginia, as Financial Advisor in connection with the issuance and sale of the Bonds. Although Public Financial Management, Inc. has assisted in the preparation of the Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official

Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

VERIFICATION AGENT

McGladrey & Pullen, LLP (the "Verification Agent"), located in Minneapolis, Minnesota, has verified the information provided to them by Public Financial Management, Inc., to determine the mathematical accuracy as of the date of the closing on the Bonds of (1) the computation contained in the provided schedules to determine that the anticipated receipts from the Escrow Securities and cash deposits listed in the schedule, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds and (2) the computations of yield on both the Escrow Securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes. The Verification Agent expresses no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal and interest on the Refunded Bonds or the Bonds will be paid as described in the accompanying schedules, or as to the exemption from taxation of the interest on the Bonds.

SALE AT COMPETITIVE BIDDING

The Bonds were sold at competitive bidding on March 2, 2005 to Morgan Stanley & Co., Incorporated (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and offering prices or yields of the Bonds as set forth on the front of this Official Statement. If all of the Bonds are resold to the public at such offering prices or yields, the Underwriter has informed the City that they anticipate a total underwriting compensation of \$232,138.78 (including the Bond insurance premium).

CONTINUING DISCLOSURE

The City will execute and deliver to the purchasers of the Bonds a Continuing Disclosure Agreement, the form of which is set forth as Appendix C to this Official Statement, pursuant to which the City will covenant and agree, for the benefit of the holders of the Bonds to provide certain annual financial information and material event notices required by Rule 15c2-12 of the Securities and Exchange Commission ("the Rule"). As described in Appendix C, such undertaking requires the City to provide only limited information at specified times.

The continuing obligation of the City to provide annual financial information and notices referred to above will terminate with respect to the Bonds when the Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds. In the past five years, the City is in compliance with the requirements set forth in the Rule.

MISCELLANEOUS

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The references herein to and summaries of Federal, Commonwealth and City laws, including but not limited to the Constitution of the Commonwealth, the Virginia Code, the City Charter and documents, agreements and court decisions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during normal business hours at the office of the City Attorney.

Any questions concerning the content of this Official Statement should be directed to the City's Director of Finance, 600 City Hall Building, Norfolk, Virginia 23510, (757) 664-4346. Copies of this Official Statement may be obtained via the Internet at www.i-dealprospectus.com.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, which includes the General Purpose Financial Statements, is available via the Internet at www.norfolk.gov/finance. The distribution of this Preliminary Official Statement has been duly authorized by the City which has deemed this Preliminary Official Statement final within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted by the Rule.

CITY OF NORFOLK, VIRGINIA

/s/ Regina V.K. Williams
City Manager

/s/ Steven G. de Mik
Director of Finance

PART II CITY INDEBTEDNESS

Limitation on Incurrence of Debt

Pursuant to the Constitution of Virginia (the "Constitution"), the City is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. There is no requirement in the Constitution, the Virginia Code or the City Charter that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum. The issuance of general obligation bonds is subject to a limitation of 10% of the assessed value of taxable real property.

At June 30, 2004, the total assessed value of taxable real property in the City was \$10,029,638,801. Based on Virginia's constitutional debt limitation formula, this resulted in a debt limit of \$1,002,963,880. As presented in Table II-1, the City's outstanding general obligation bonds and other tax-secured indebtedness as of June 30, 2004, was \$489,541,678 representing 48.81% of the constitutional debt limit.

**Table II-1
City of Norfolk, Virginia
Computation of Legal Debt Margin (Unaudited)
June 30, 2004**

Total assessed value of taxable real property		\$10,029,638,801
Debt Limit-10 percent of total assessed value		1,002,963,880
Amount of debt applicable to debt limit:		
Gross debt ^{(1) (2) (3) (4)}	447,105,000	
General obligation (QRBs)	18,295,000	
General obligation (QZABs).....	7,841,678	
General obligation (guaranty) ⁽⁵⁾	3,300,000	
HUD Section 108 Loan ⁽⁶⁾	<u>13,000,000</u>	
		<u>489,541,678</u>
Legal Debt Margin		<u>\$ 513,422,202</u>
Amount of debt as a percent of debt limit.....		48.81%

Source: Comprehensive Annual Financial Report for Year Ended June 30, 2004.

Notes:

- (1) Defeased bonds totaling \$69,275,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent. The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$22,500,000 on June 1, 2005, at a price of 101%. The 1996 refunded bonds will be called for optional redemption before maturity in the amount of \$27,000,000 on June 1, 2006 at a price of 101%. The 1997 refunded bonds will be called for optional redemption before maturity in the amount of \$19,775,000 on June 1, 2007 at a price of 101%.
- (2) The outstanding obligations under capital leases totaling \$13,718,164 for the purchase of equipment are not included in the legal debt margin calculation. Other outstanding obligations are properly excluded. These obligations include: obligations for vested compensated absences of \$14,071,584, obligation for Employees' Retirement System of \$21,086,434, obligations for retirees' life insurance benefits of \$820,000, obligations for workers' compensation claims of \$15,086,990, obligations for automobile and general liability claims of \$1,933,790, and obligations for landfill closure and post-closure costs of \$1,598,505.
- (3) The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$28,973,800.
- (4) Water and parking revenue bonds are excluded from gross debt. The revenue bonds are payable solely from the revenue of the Water Utility and Parking Facilities Funds.
- (5) Included a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which matures on August 15, 2015.
- (6) Includes a 20 year \$13,000,000 Section 108 Loan with HUD, which matures on August 1, 2024.

Debt Outstanding

The tables that follow detail the City's current general obligation debt outstanding. Table II-2 presents the City's gross and net outstanding tax-supported and self-supporting general obligation bonded indebtedness as of June 30, 2004. Table II-3 provides a comparative statement of key debt ratios for several fiscal years and Table II-4 presents the rate of retirement for all general obligation debt as of June 30, 2004. Table II-5 presents the recent historical relationship between debt service on bonds paid from general governmental receipts and actual general governmental expenditures for the past ten fiscal years. Table II-6 presents the historical relationship of the City's net bonded debt to assessed value of taxable real property and net bonded debt per capita. Table II-7 provides a statement of future annual debt service requirements on the City's existing general obligation bonds.

Table II-2
City of Norfolk, Virginia
General Obligation Debt Statement ^{(1) (2) (3) (4)}

		As of June 30, 2004 <u>(Audited)</u>
Outstanding Debt		
A.	General Fund Bonds	
	Outstanding Debt ^{(5) (6) (7)}	\$ 385,609,976
	Net Tax-Supported Bond Indebtedness	<u>385,609,976</u>
B.	Enterprise Fund Bonds	
	Outstanding Debt	\$ 87,635,923
	Net Enterprise Fund Bond Indebtedness	<u>87,635,923</u>
C.	Total General Obligation Bond Indebtedness (A+B)	
	Debt	\$ 473,245,899
	General Obligation Debt ⁽⁸⁾	<u>\$ 473,245,899</u>

Source: Compiled from Comprehensive Annual Financial Report for Year Ended June 30, 2004.

- Notes :
- (1) General obligation bonds authorized and unissued, exclusive of unissued refunding bonds, after the current financing total \$28,973,800.
 - (2) Table II-2 does not include the City's Water Revenue Bonds and Parking System Revenue Bonds since these bonds are payable solely from the revenue of their respective enterprise activities.
 - (3) Table II-2 reflects only bonded debt and does not include the City's capital lease obligations. See Table II-8 for information about the City's capital lease obligations.
 - (4) The defeased portions of Bonds are not included in Gross Bonded Debt.
 - (5) Includes the bonded debt of the Environmental Storm Water Fund which was converted on July 1, 1994, from an enterprise fund to a special revenue fund.
 - (6) Does not include the \$3,300,000 General Obligation guaranty bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which matures on August 15, 2015.
 - (7) There are no overlapping or underlying taxing jurisdictions in the City.
 - (8) Does not include the 20 year \$13,000,000 Section 108 Loan with HUD which matures on August 1, 2024.

Table II-3
City of Norfolk, Virginia
Key Debt Trends
Fiscal Years 1995-2004

Fiscal Year Ended June 30	Gross Bonded Debt ^{(1) (2) (3) (4)}	Gross Bonded Principal Outstanding Per Capita ⁽⁵⁾	Percent of Gross Bonded Debt to Real Property Assessed Value ⁽⁶⁾	Percent of Per Capita Debt to Per Capita Income ^{(5) (7)}
1995	\$508,820,006	\$2,170.73	6.98%	11.42%
1996	531,590,006	2,294.30	7.25	11.69
1997	539,425,001	2,349.41	7.30	11.54
1998	546,935,001	2,410.47	7.18	11.31
1999	508,805,001	2,254.34	6.41	10.32
2000	488,351,540	2,083.38	6.03	9.18
2001	468,445,247	1,997.63	5.54	8.58
2002	460,345,861	1,963.10	5.18	8.44
2003	460,876,270	1,968.72	4.93	8.46
2004	487,080,847	2,015.00	4.86	8.66

Source: Comprehensive Annual Financial Report for Year Ended June 30, 2004.

- Notes:
- (1) There are no overlapping or underlying taxing jurisdictions in the City.
 - (2) Debt payable from Enterprise Fund revenue can be found in Table II-6.
 - (3) The defeased portions of bonds are not included in Gross Bonded Debt.
 - (4) Gross Bonded Debt includes unamortized discount and premium on bonds.
 - (5) Gross Bonded Principal Outstanding Per Capita for the period 1995 - 2004 is based on the population figures from Table II-6.
 - (6) Based on the taxable real property assessed value figures from Table III-3.
 - (7) Based on per capita income figures from Comprehensive Annual Financial Report for Year Ended June 30, 2004. The per capita income figure for 2001 is used for the 2002 – 2004 calculations.

Table II-4
City of Norfolk, Virginia
Principal Retirement
All General Obligation Bonds
As of June 30, 2004

Maturing By Fiscal Year End	Cumulative Amount Matured	Percent of Principal Retired
2009	\$214,427,309	45.31%
2014	364,843,705	77.09
2019	435,383,088	92.00
2024	469,491,861	99.21
2029	469,841,679	99.28
2034	473,241,679	100.00

Source: Department of Finance, City of Norfolk.

Table II-5
City of Norfolk, Virginia
Ratio of Annual Debt Service to
Total General Governmental Expenditures
Fiscal Years 1995-2004

<u>Fiscal Year Ended June 30</u>	<u>Total Debt Service</u> ⁽¹⁾	<u>Total General Expenditures</u> ⁽²⁾	<u>Percent of Debt Service to Total General Expenditures</u>
1995.....	\$42,227,134	\$480,687,039	8.79%
1996.....	45,445,583	491,755,703	9.25
1997.....	49,768,887	513,658,972	9.69
1998.....	54,163,228	499,746,145	10.84
1999.....	49,744,700	519,198,080	9.59
2000.....	52,627,625	558,439,186	9.43
2001.....	55,926,535	578,776,772	9.67
2002.....	53,484,013	431,283,578	12.40
2003.....	53,258,272	451,633,988	11.79
2004.....	55,024,340	491,328,477	11.20

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

- Notes:
- (1) Includes debt service on general obligation bonds and capital leases payments supported by the General Fund.
 - (2) Total general expenditures include the expenditures of the General Fund, Debt Service Fund and School General Fund. Beginning in FY 2002, the education figures reflect the City's contribution to Norfolk Public Schools in accordance with GASB 34.

Table II-6
City of Norfolk, Virginia
Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita
Fiscal Years 1995-2004

Fiscal Year Ended June 30	Estimated Population ⁽¹⁾	Assessed Value of Taxable Property (In Thousands) ⁽²⁾	Gross Bonded Debt ⁽³⁾	Debt Payable From Enterprise Revenue ⁽³⁾	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita ⁽¹⁾
1995	234,400	\$8,208,079	\$508,820,006	\$172,742,695	\$336,077,311	4.09%	\$1,434
1996	231,700	8,326,402	531,590,006	163,872,079	367,717,927	4.42	1,587
1997	229,600	8,414,038	539,425,001	158,819,126	380,605,875	4.52	1,658
1998	226,900	8,668,361	546,935,001	155,077,914	391,857,087	4.52	1,727
1999	225,700	9,054,436	508,805,001	141,668,034	367,136,967	4.05	1,627
2000	234,403	9,325,039	488,351,540	128,007,237	360,344,303	3.86	1,537
2001	234,000	9,728,084	468,445,246	114,528,097	353,917,150	3.64	1,512
2002	234,100	10,204,892	460,345,861	112,049,824	348,296,037	3.41	1,488
2003	241,727	10,742,268	460,876,270	99,220,319	361,655,951	3.37	1,496
2004	241,727	11,483,300	487,080,847	88,842,737	398,238,110	3.46	1,647

Source: Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004.

- Notes:
- (1) The source of calendar year population estimates for 1995 through 1999 and 2001 through 2004 is the Weldon Cooper Center for Public Service, University of Virginia. The source for the population figure for 2000 is the United States Census.
 - (2) Assessed value of real taxable property for Fiscal Years 1998 through 2004 is detailed in Table III-3.
 - (3) Gross bonded Debt and Debt Payable From Enterprise Revenue includes the unamortized discount and premium on bonds.

Table II – 7
Long-Term Debt Service Requirements ⁽¹⁾

Fiscal Year	<u>Existing General Obligation Debt Service ⁽²⁾⁽³⁾</u>			<u>Plus the Bonds-</u>		<u>Total Debt ⁽²⁾⁽³⁾</u>			<u>Total Debt</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
<u>Ended</u>			<u>Service</u>						
<u>June 30</u>									
2005	\$46,149,591	\$22,394,096	\$68,543,687						
2006	44,144,638	19,197,276	63,341,914						
2007	41,892,526	17,110,903	59,003,429						
2008	41,505,870	15,313,474	56,819,344						
2009	40,734,684	13,494,865	54,229,549						
2010	36,963,986	11,604,236	48,568,222						
2011	36,658,794	10,038,650	46,697,444						
2012	32,164,118	8,274,544	40,438,662						
2013	25,446,533	6,795,347	32,241,880						
2014	19,182,965	5,685,394	24,868,359						
2015	18,875,194	4,793,268	23,668,462						
2016	16,252,807	3,969,242	20,222,049						
2017	13,129,694	3,245,616	16,375,310						
2018	11,118,572	2,654,682	13,773,254						
2019	11,163,116	2,125,131	13,288,247						
2020	10,313,351	1,642,828	11,956,179						
2021	8,044,300	1,145,023	9,189,323						
2022	6,970,989	795,294	7,766,283						
2023	5,243,443	472,149	5,715,592						
2024	3,536,690	277,177	3,813,867						
2025	349,818	188,872	538,690						
2026		182,750	182,750						
2027		182,750	182,750						
2028		182,750	182,750						
2029		182,750	182,750						
2030		182,750	182,750						
2031		182,750	182,750						
2032		182,750	182,750						
2033	<u>3,400,000</u>	<u>37,565</u>	<u>3,437,565</u>						
Totals	\$473,241,679	\$152,534,882	\$625,776,561						

Source: Department of Finance

Notes: (1) Figures may not sum due to rounding.

(2) Includes \$100,387,707 of principal payable from the City's enterprise funds, representing 21.21% of total debt.

(3) Existing General Obligation Debt Service includes \$12,751,784 of self-supporting principal payable from the City's Environmental Storm Water Fund, a special revenue fund.

Debt Incurred by Other Governmental Entities

Southeastern Public Service Authority

In fiscal years 1990 and 1994, the City guaranteed \$12,514,500 (or 54% of \$23,175,000) in refunding bonds, and interest thereon, issued by the Southeastern Public Service Authority of Virginia (“SPSA”). Under the guaranty agreements, the City has agreed to make payments to the SPSA trustee for deposit in reserve accounts, if necessary, to maintain in such accounts the sum of the amounts of interest due on the next succeeding interest payment dates for the bonds and the amounts required to pay principal of all the bonds maturing on the next July 1. At June 30, 2004, the City’s allocable portion of the outstanding balance from the \$23,175,000 Guaranteed Subordinated Revenue Refunding Bonds, Series 1989 and the \$10,485,000 Guaranteed Subordinated Revenue Refunding Bonds, Series 1993 (“Refunding Bonds”) was 54% or \$1,287,900, with the remaining balance being due from neighboring localities as follows: Chesapeake - 23%; Franklin - 2%; and Portsmouth - 21%. On July 1, 2004, SPSA made the final payment of \$2,385,000 on the aforementioned debt, eliminating Norfolk’s contingent liability.

Overlapping Debt

The City is autonomous from any county, town or other political subdivision. There are no overlapping or underlying taxing jurisdictions with debt outstanding for which City residents are liable.

Short-Term Borrowing

The City has not borrowed on a short-term basis for working capital purposes in the past five fiscal years.

Capital Lease Obligations

The City leases a building and certain computer, automotive, solid waste and other heavy equipment. In the Fiscal Year Ended June 30, 2004, additions to Capital Leases of \$4,430,252 consist of additional borrowing by the City. The remaining debt service requirements will be retired by funds from the General Fund on the aforementioned contracts as summarized in Table II-8.

Table II - 8
City of Norfolk
Capital Lease Obligations

Year Ending June 30	General Long-Term Obligations Account Group	Internal Service Funds	Totals
2005	\$4,838,011	\$45,019	\$4,883,030
2006	3,438,881	14,060	3,452,941
2007	2,734,751	---	2,734,751
2008	1,965,116	---	1,965,116
2009	722,288	---	722,288
Thereafter	<u>19,117</u>	<u>---</u>	<u>19,117</u>
Total minimum lease Payments	\$13,718,164	\$59,079	\$13,777,243
Less interest	<u>(787,726)</u>	<u>(1,801)</u>	<u>(789,527)</u>
	<u>\$12,930,438</u>	<u>\$57,278</u>	<u>\$12,987,716</u>
Less current portion	<u>(4,838,011)</u>	<u>(45,019)</u>	<u>(4,883,030)</u>
	<u>\$8,092,427</u>	<u>\$12,259</u>	<u>\$8,104,686</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Water Revenue Bonds

Since 1993, and for all future financings, capital improvements of the Water Utility System will be issued with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the water system, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund and the repair and replacement reserve fund. Fiscal Year 2004 results reflect compliance with this requirement.

Parking System Revenue Bonds

Since 1997, and for all future financings, capital improvements of the Parking Facilities Fund will be issued with revenue bonds. The revenue covenant for these revenue bonds requires the City to establish, fix, charge and collect rates, fees and other charges for the use of and for the services furnished by the parking facilities, and will, from time to time and as often as appears necessary, revise such rates, fees and other charges, so that in each Fiscal Year net revenues are not less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service for the Fiscal Year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Fiscal Year 2004 results reflect compliance with this requirement.

Debt History

The City has never defaulted in the payment of either principal of, or interest on, any indebtedness.

Capital Improvement Program Budget

The City has a Capital Improvement Program (CIP) Budget which plans for capital type improvements for a five-year period. This CIP Budget is reviewed and revised annually.

The City approved its Fiscal Year 2005 CIP Budget on May 18, 2004. The total of the CIP Budget for Fiscal Year 2005 (as amended) is \$104,302,000. This includes a \$1,291,000 transfer from the Fiscal Year 2005 Operating Budget (as amended), which reduces the City's reliance on bond financing. Five years of CIP activities have been planned in the approved Fiscal Years 2005 – 2009 CIP. Future year projects in the CIP Budget are considered for planning purposes only until funds are appropriated and may be modified, at any time, by the City Council. In addition, the CIP Budget is used by the City as a means of identifying short and long-term needs and as a guide for identifying various funding sources for future CIP Budgets.

The CIP Budget is developed in coordination with and at the same time as other City budgets. It is prepared for submission by the City Manager to the City Council concurrently with the Proposed Operating Budget. New capital improvements are recommended by department heads, the Superintendent of Public Schools and City Agencies, as well as by private citizens at public hearings. These requests for capital improvements are investigated, estimates are updated and checked and each item is ranked according to need and priority. The development of a new CIP Budget includes a review of all items in the previous CIP Budget, as well as new items. Enterprise Fund development projects are considered at the same time and in conjunction with general capital improvements. Hearings are held as appropriate, and the final CIP Budget is adjusted with a determination being made of the source and amount of funding to be recommended for each item.

The Fiscal Year 2005 CIP Budget is summarized in Table II-9. Table II-10 summarizes the CIP for Fiscal Years 2005 – 2009.

Table II-9
City of Norfolk, Virginia
Capital Improvement Program for Fiscal Year 2005 (as amended)

Uses	Funded Budget FY – 2005
General Capital Projects	\$58,952,000
Parking Fund Projects ⁽¹⁾	3,500,000
Storm Water Fund Projects	2,000,000
Water Fund Projects ⁽²⁾	14,350,000
Wastewater Fund Projects	17,000,000
Maritime Center	8,500,000
Total Capital Program	<u>\$104,302,000</u>
Appropriation Source	
General Capital Projects	
From Bond Issue	\$51,085,000
Transfer from Public Amenities	5,150,000
Transfer from General Fund	1,291,000
Capital Projects Fund Balance	1,000,000
Other	426,000
Parking Fund Projects	
From Bond Issue ⁽¹⁾	3,500,000
Storm Water Fund Projects	
From Bond Issue	2,000,000
Water Fund Projects	
From Bond Issue ⁽²⁾	13,800,000
Transfer from Water Fund	550,000
Wastewater Fund Projects	
From Bond Issue	17,000,000
Maritime Center	
From Bond Issue	8,500,000
Total Capital Program	<u>\$104,302,000</u>

Source: Capital Improvement Program Budget, Fiscal Year 2005.

Notes: (1) To be financed from the proceeds of Parking Revenue Bonds.
(2) To be financed from the proceeds of Water Revenue Bonds and a bond anticipation note.

Table II-10
City of Norfolk, Virginia
Capital Improvement Program
Fiscal Years 2005 through 2009 (as amended)

<u>Description</u>	FY-05	FY-06	FY-07	FY-08	FY-09	FY 2005 – 2009
	Plan	Plan	Plan	Plan	Plan	Total
GENERAL CAPITAL						
Schools	\$ 5,389,000	\$ 4,400,000	\$ 0	\$ 500,000	\$ 0	\$ 10,289,000
Non-Schools	<u>53,563,000</u>	<u>47,548,875</u>	<u>58,743,125</u>	<u>47,882,000</u>	<u>40,977,000</u>	<u>248,714,000</u>
TOTAL GENERAL CAPITAL	58,952,000	51,948,875	58,743,125	48,382,000	40,977,000	259,003,000
STORM WATER FUND	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
PARKING FACILITIES FUND ⁽¹⁾	3,500,000	0	12,000,000	0	0	15,500,000
WASTEWATER FUND	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	85,000,000
WATER FUND ⁽²⁾	14,350,000	20,150,000	19,000,000	28,600,000	14,200,000	96,300,000
MARITIME CENTER	8,500,000	21,500,000	6,000,000			36,000,000
TOTAL CAPITAL PROGRAM	<u>\$104,302,000</u>	<u>\$112,598,875</u>	<u>\$114,743,125</u>	<u>\$95,982,000</u>	<u>\$74,177,000</u>	<u>\$501,803,000</u>

Sources: Capital Improvement Program Budget, Fiscal Year 2005.

Notes: ⁽¹⁾ To be financed from the proceeds of Parking System Revenue Bonds.
 ⁽²⁾ To be financed from the proceeds of Water Revenue Bonds, a bond anticipation note or cash from the Water Utility Enterprise Fund.

PART III FINANCIAL INFORMATION

Fiscal Year

The City's fiscal year commences July 1 and closes on June 30.

Reporting Entity

For financial reporting purposes, in accordance with generally accepted accounting principles, the City's financial statements include the City of Norfolk (primary government) and its component units. The component units are included in the City's financial reporting entity due to their relationships with the City:

- All Fund Types and Account Groups of the City of Norfolk
- The School Board of the City of Norfolk
- The Employees' Retirement System of the City of Norfolk (ERS)
- The Hospital Authority of Norfolk (HAN)
- The Norfolk Community Services Board (NCSB)
- The Norfolk Redevelopment and Housing Authority (NRHA)

Complete financial statements of individual component units can be obtained from their respective administrative offices. Contact information for such administrative offices can be obtained through contacting the office of the Director of Finance of the City.

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The City's financial statements include the following sections:

- Management's discussion and analysis (MD&A).
 - The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Basic financial statements. The basic financial statements include:
 - Government-wide financial statements, consisting of a statement of net assets and a statement of activities.
 - Fund financial statements consisting of a series of statements that focus on information about the government's major governmental and enterprise funds and component units. Fund financial statements also report information about the government's fiduciary funds.
 - Notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.
- Required supplementary information (RSI). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by Governmental Accounting Standard Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred,

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes due and collected within 45 days after year-end are recognized as revenue: those not collected within 45 days are reported as deferred revenue. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

INDEPENDENT ACCOUNTANTS

Section 99 of the City Charter requires that “...as soon as practicable after the close of each fiscal year an annual audit shall be made of all the accounts of the city offices...by certified public accountants selected by the council...” The firm of Cherry, Bekaert & Holland, L.L.P. presently serves as the City’s independent auditors. The audited general purpose financial statements and the financial statements of the enterprise funds for the fiscal year ended June 30, 2004, are published in Appendix A with accompanying notes.

CASH MANAGEMENT

Cash temporarily idle during Fiscal Year 2004, was invested primarily in the Commonwealth of Virginia’s Local Government Investment Pool and certificates of deposit. Interest-bearing bank deposits and investments of daily cash balances at June 30, 2004 totaled \$129,436,418.64. The average yield on maturing investments realized during this time was 1.53 percent. Interest earned during this time, net of amounts capitalized for capital projects, was \$1,314,520.11.

BUDGETARY PROCESS

The City Charter requires that no less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council a proposed balanced operating budget for the ensuing fiscal year that commences July 1. Each department of the City prepares its own budget request for review by the City Manager’s Budget Team which consists of the Offices of the City Manager, Budget, and the Department of Finance. The Public Schools proposed budget is approved by the School Board, transmitted to the City Manager for review and then submitted to the City Council for consideration as part of the City’s general operating budget. The City Council is required to hold a public hearing on the budget at which time all interested persons have the opportunity to comment.

The financial forecast, the first step in the budget process, is an essential component of the annual process of assessing the City’s overall financial condition and looking at its finances in a multi-year context. The primary objective of the financial forecast is to project where current budget decisions lead in terms of future revenue and expenditures and their impact on the City’s financial stability. This, therefore, provides the opportunity to proactively evaluate policies with the goal of maximizing opportunities or, in the worst case, minimizing the negative impact of economic downturns.

The financial forecast summarizes the financial policies of the City that provide a framework for its overall financial management. These policies include long-standing principles and traditions which the City has employed in the past to maintain its sound and stable financial condition. The City’s debt policy has established self-imposed limitations that are employed in financial planning and capital improvement budgeting:

- Debt service payments on net bonded debt (tax-supported General Fund debt) not exceeding ten percent of the General Fund budget.
- Net bonded debt not exceeding three-and-one half percent of taxable real property.
- Net bonded debt per capita not exceeding seven-and-one half percent of per capita income.

GENERAL GOVERNMENTAL REVENUE

Overview

General governmental revenue is derived from general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth. General Fund disbursements include the normal recurring activities of the City, such as police, public works, general government, transfers to the School Operating Fund for local share of costs and to the Debt Service Fund to pay principal and interest on the City's general obligation bonds for other than enterprise fund purposes.

Table III-1
City of Norfolk, Virginia
General Governmental Revenue by Source
Fiscal Year 2004

<u>Source</u>	<u>Amount</u>	<u>Percent of Total</u>
General Property Taxes.....	\$ 178,360,554	37%
Other Local Taxes.....	135,913,691	28
Permits, Privilege Fees and Regulatory Licenses.....	3,204,071	1
Fines and Forfeitures.....	1,626,731	0
Use of Money and Property	6,314,660	1
Charges for Services	12,449,529	3
Miscellaneous.....	4,505,314	1
Recovered Costs.....	12,296,915	3
Intergovernmental	<u>129,148,556</u>	<u>27</u>
Total Revenue	<u>\$ 438,820,021</u>	<u>100%</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Note: Total general governmental revenue includes revenue of the General Fund and the School General Fund.

Property Tax Rates, Levies and Collections

An annual ad valorem tax is levied by the City on the assessed value of real property located within the City as of July 1, and on tangible personal property located within the City as of January 1. Real property taxes are the largest single source of tax revenue. Tax rates are applied to the assessed valuation of property.

The ratio of the assessed value of real property to its estimated fair market value is 100% (other than public service properties). The City taxes several categories of personal property, each of which is assessed on a different basis. Machinery and tools are assessed at 100% of original cost; vehicles and boats are assessed at 100% of certain published loan values; and mobile homes are assessed on the same basis as real property.

The City has the power to levy taxes on property located within its boundaries without limitation as to rate or amount for the payment of its obligations. Rates are established by the City Council. The property tax rates approved in the FY 2005 budget, on each \$100 of assessed value remain unchanged from the previous fiscal year are: \$1.40 for real property; \$1.58 for the real property located in the City's

Downtown Service District; \$4.00 for personal property; \$1.50 for recreational vehicles; \$4.00 for machinery and tools; \$1.40 for mobile homes; and \$2.40 for airplanes. The rate on personal recreational boats consists of a decal fee of \$10 or \$25 depending on the length of the boat plus a tax of one cent per \$100 on the assessed value of the boat. The tax rate for commercial boats is \$1.50 per \$100 of the assessed value of the boat and a boat decal is not required.

Real property levies are payable during the year of assessment in four equal installments, on or before September 30, December 5, March 31 and June 5. Personal property, recreational vehicles, machinery and tools, mobile homes, airplanes and boat levies are payable on or before June 5 of the year assessed or thirty days after acquisition. Certain types of personal property such as automobiles, trucks, motorcycles, trailers, and recreational vehicles are prorated throughout the year and payable thirty days after acquisition.

In the event any installment of taxes on any of the properties listed above is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89, City Charter.

Other Revenue Sources

The City levies various other local taxes: (1) a 1% local sales tax (collected by the Commonwealth and remitted to the City); (2) a tax on consumer utility bills; (3) a cigarette tax of 55 cents per packet; (4) property transfer recordation taxes; (5) an automobile license tax; (6) various business license/franchise taxes; (7) a hotel and motel tax of 8%; (8) an admissions tax of 10%; and (9) a restaurant food tax of 6.5%, which includes alcoholic beverages and of which 1% is dedicated to tourism and economic development.

Fees, Licenses and Permits - The City requires that licenses or permits be obtained for the performance of certain activities and that fees be paid for services provided by certain City departments.

Revenue from the Commonwealth of Virginia - The City receives payments for highway maintenance, a share of the net profits from the State Alcoholic Beverage Control Board liquor sales, a share of state sales taxes allocated for education and, in addition, reimbursement for a portion of certain shared expenses relating to expenditures for such functions as Sheriff's office, Commissioner of the Revenue, City Treasurer and Commonwealth's Attorney office. The City also receives categorical aid revenue for such purposes as public assistance, education and local law enforcement.

Other Revenue - The primary sources of other revenue to the General Fund include transfers from the Water Utility and Wastewater Utility Funds, interest on investments and impact aid from the federal government. Tables III-2A and III-2B show the City's General Fund revenue by source for each of the last ten fiscal years.

Table III-2A
City of Norfolk, Virginia
General Governmental Revenue by Source ^{(1) (2)}
Fiscal Years 1995 – 2004

Fiscal Year Ended June 30	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- Governmental	Total
1995.....	\$ 135,788,774	\$103,122,156	\$ 2,230,416	\$ 1,493,113	\$ 5,363,377	\$ 9,640,634	\$ 2,551,876	\$ 31,790,427	\$ 180,219,136	\$ 472,199,909
1996.....	139,635,344	103,292,568	2,018,502	1,373,753	7,399,907	10,976,586	2,947,168	34,587,209	184,672,967	486,904,004
1997.....	142,920,221	101,130,721	2,030,715	1,304,211	9,078,810	11,515,318	4,526,540	48,835,502	182,672,501	504,014,539
1998.....	147,227,814	106,499,321	2,079,831	1,772,497	7,622,862	13,079,828	6,168,450	14,467,686	198,223,686	497,141,975
1999.....	147,831,366	111,212,019	2,505,284	1,919,987	8,991,816	13,865,238	7,291,274	11,139,044	219,871,543	524,627,571
2000.....	152,061,598	119,106,596	2,942,853	1,660,692	9,581,176	13,163,379	4,490,174	12,337,518	245,158,349	560,502,335
2001.....	153,366,476	126,536,522	2,600,873	1,683,980	10,273,560	13,217,753	4,111,221	14,135,337	258,036,874	583,962,596
2002.....	159,512,496	127,262,071	2,699,765	1,541,388	7,034,215	10,765,690	4,580,265	10,008,260	105,577,097	428,981,247
2003.....	168,892,719	128,453,471	2,972,611	1,569,454	6,785,960	11,642,327	5,032,482	9,556,223	102,846,522	437,751,769
2004.....	178,360,554	135,913,691	3,204,071	1,626,731	6,314,660	12,449,529	4,505,314	12,296,915	129,148,556	438,820,021

Source: Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004.

Note: (1) This table includes General Fund and School General Fund, which have the only revenue included in the City's General Fund Operating Budget.
(2) Due to compliance with GASB34, beginning in Fiscal Year 2002, certain components were combined.

Table III-2B
City of Norfolk, Virginia
General Governmental Tax Revenue - Other Local Tax Detail
Fiscal Years 1995 - 2004

Fiscal Year Ended <u>June 30</u>	Sales and Use <u>Taxes</u>	Consumers' Utility <u>Taxes</u>	Business License <u>Taxes</u>	Motor Vehicle <u>Licenses</u>	Cigarette <u>Taxes</u>	Restaurant Food <u>Taxes</u>	<u>Other</u>	<u>Total</u>
1995	\$ 20,800,455	\$ 34,051,267	\$ 14,884,297	\$ 3,084,258	\$ 4,279,126	\$ 14,479,249	\$ 11,543,504	\$ 103,122,156
1996	21,447,926	33,129,275	14,119,038	3,073,676	4,523,422	14,720,250	12,278,981	103,292,568
1997	21,349,623	30,998,963	15,071,175	3,095,033	3,777,077	15,019,435	11,819,415	101,130,721
1998	21,023,273	33,853,298	14,818,350	3,112,344	4,506,931	15,003,269	14,181,856	106,499,321
1999	22,601,880	33,189,179	15,931,734	3,307,551	4,918,212	15,676,558	15,586,905	111,212,019
2000	24,320,896	34,224,010	18,095,451	3,391,309	3,940,155	17,065,896	18,068,879	119,106,596
2001	25,495,634	38,988,006	18,352,142	3,479,472	4,121,958	18,759,238	17,340,072	126,536,522
2002	25,267,193	37,921,850	18,644,013	3,553,824	4,279,719	19,287,924	18,307,548	127,262,071
2003	25,854,211	37,929,780	18,471,519	3,462,399	4,219,586	21,680,488	16,835,488	128,453,471
2004	27,866,939	39,231,307	20,278,947	3,456,130	7,639,123	21,808,320	15,632,925	135,913,691

Source: Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2004.

Note: This table presents additional details on Other Local Taxes presented in Table III-2A.

Table III-3 sets forth the assessed value of all taxable property in the City for the past five fiscal years. The total assessed value of all taxable property in the City at June 30, 2004, was approximately \$11.5 billion. The estimated assessed value of tax-exempt properties owned by federal and Commonwealth governments, churches and schools, among others, was approximately \$7.9 billion for fiscal year 2004, and is presented in Table III-4.

Table III-3
City of Norfolk, Virginia
Assessed Value of Taxable Property
(In Thousands)
Fiscal Years 2000-2004

	Fiscal Year Ended June 30				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assessed value of real property - general	\$ 7,476,357	\$ 7,802,681	\$ 8,189,358	\$ 8,648,252	\$ 9,309,404
Assessed value of real property - public service corporations ⁽¹⁾	<u>621,756</u>	<u>655,600</u>	<u>692,706</u>	<u>708,508</u>	<u>720,235</u>
Total Real Property	<u>\$8,098,113</u>	<u>\$8,458,281</u>	<u>\$8,882,064</u>	<u>\$9,356,760</u>	<u>\$10,029,639</u>
Assessed value of personal property - general	1,021,308	1,038,672	1,100,703	1,082,578	1,166,081
Assessed value of personal property - public service corporations ⁽¹⁾	<u>2,318</u>	<u>2,257</u>	<u>2,280</u>	<u>2,449</u>	<u>4,036</u>
Total Personal Property	<u>\$1,023,626</u>	<u>\$1,040,929</u>	<u>\$1,102,983</u>	<u>\$1,085,027</u>	<u>\$1,170,117</u>
Assessed value of machinery and tools	162,147	160,075	166,016	200,567	179,088
Assessed value of mobile homes	1,912	1,713	1,479	1,195	1,242
Assessed value of airplanes	6,894	13,065	13,759	14,347	20,020
Assessed value of boats	<u>32,347</u>	<u>54,021</u>	<u>38,591</u>	<u>84,372</u>	<u>83,194</u>
Total Other General Property ..	<u>\$203,300</u>	<u>\$228,874</u>	<u>\$219,845</u>	<u>\$300,481</u>	<u>\$283,544</u>
Total Taxable Property	<u>\$ 9,325,039</u>	<u>\$ 9,728,084</u>	<u>\$10,204,892</u>	<u>\$10,742,268</u>	<u>\$11,483,300</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Note: (1) The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2000 through 2004.

Table III-4
City of Norfolk, Virginia
Estimated Value of Nontaxable Real Property ⁽¹⁾
Fiscal Years 2000-2004
(In Thousands)

Fiscal Year Ended June 30	<u>Property Owned By</u>											
	<u>Federal Government</u>		<u>City of Norfolk</u>		<u>Norfolk Redevelopment and Housing Authority</u>		<u>Commonwealth of Virginia</u>		<u>All Other Organizations ⁽²⁾</u>		<u>Total</u>	
	<u>Assessed Value</u>	<u>Estimated Tax Value</u>	<u>Assessed Value</u>	<u>Estimated Tax Value</u>	<u>Assessed Value</u>	<u>Estimated Tax Value</u>	<u>Assessed Value</u>	<u>Estimated Tax Value</u>	<u>Assessed Value</u>	<u>Estimated Tax Value</u>	<u>Assessed Value</u>	<u>Estimated Tax Value</u>
2000....	\$ 3,600,240	\$ 50,403	\$ 1,291,318	\$ 18,078	\$ 336,438	\$ 4,710	\$ 554,784	\$ 7,767	\$ 1,021,923	\$ 14,307	\$ 6,804,703	\$ 95,265
2001....	3,601,784	50,425	1,316,150	18,426	335,345	4,695	563,466	7,889	1,044,992	14,630	6,861,737	96,065
2002....	3,598,083	50,373	1,390,203	19,463	365,962	5,123	580,483	8,127	1,080,134	15,122	7,014,865	98,208
2003....	3,668,046	51,353	1,488,049	20,833	392,020	5,488	638,036	8,933	1,199,413	16,792	7,385,564	103,399
2004....	4,116,089	57,625	1,494,691	20,926	382,610	5,357	689,933	9,659	1,241,480	17,381	7,924,803	110,948

Sources: Annual Reports of the City Assessor 2000 - 2004.

Notes: (1) The assessed value was 100% of fair market value. The estimated tax value is at a rate of \$1.40 per \$100 of estimated assessed value.

(2) All other organizations include religious organizations, charitable organizations, private universities, Virginia Port Authority, Elizabeth River Tunnel Commission, Hampton Roads Sanitation District, and Eastern Virginia Medical Authority.

Table III-5 presents the property tax rate per \$100 of assessed value and the equalization ratios used to determine the fair market value of taxable property for the past five fiscal years ended June 30.

Table III-5
City of Norfolk, Virginia
Tax Rates and Equalization Factors
Fiscal Years 2000-2004

	Fiscal Year Ended June 30				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Property tax rate per \$100 assessed value:					
Real property	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
Business Improvement District20	.18	.18	.18	.18
Personal property	4.00	4.00	4.00	4.00	4.00
Machinery and tools	4.00	4.00	4.00	4.00	4.00
Mobile homes	1.40	1.40	1.40	1.40	1.40
Airplanes	2.40	2.40	2.40	2.40	2.40
Boats (business)	1.50	1.50	1.50	1.50	1.50
Boats (pleasure)01	.01	.01	.01	.01
Recreational Vehicles	2.00	2.00	2.00	1.50	1.50
Disable Veterans	--	3.00	3.00	3.00	3.00
Assessed value of real property as a percent of fair market value:					
As determined by the City Assessor	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation ^{(1) (2)}	90%	90%	88%	--	--

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Notes: (1) The most recent Virginia Assessment/Sales Ratio Study is for 2002.

(2) The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 2000 through 2004.

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. Table III-6 sets forth the City's assessed values and tax levies on real and personal property for each of the past five fiscal years ended June 30.

Table III-6
City of Norfolk, Virginia
Assessed Valuation and Change in Property Tax Levy
Fiscal Years 2000-2004

Fiscal Year Ended June 30	<u>Assessed Valuation (000s)</u>		<u>Property Tax Levy</u>	<u>Percentage Increase in Property Tax Levy</u>
	<u>Real Property</u>	<u>Personal Property & Other</u>		
2000	\$8,098,113	\$1,226,926	\$158,268,196	4.99%
2001	8,458,281	1,269,803	164,289,477	3.80
2002	8,882,064	1,322,828	171,755,456	4.54
2003	9,356,760	1,385,508	169,202,684	(1.49)
2004	10,029,639	1,453,661	181,152,647	7.06

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Table III-7 sets forth information concerning the City's real and personal property tax collection rate for fiscal years ended June 30, 1995 through 2004.

Table III-7
City of Norfolk, Virginia
Real and Personal Property Tax Levies and Collections
Fiscal Years 1995 - 2004

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995	\$133,352,273	\$124,827,522	93.61%	\$ 9,157,930	\$133,985,452	100.47%	\$16,262,308	12.19%
1996	137,593,231	127,974,549	93.01	9,857,483	137,832,032	100.17	16,803,874	12.21
1997	140,636,759	130,464,402	92.77	10,637,425	141,101,827	100.33	18,093,733	12.87
1998	144,793,808	134,888,759	93.16	10,726,945	145,615,704	100.57	18,549,874	12.81
1999	150,746,760	136,667,622	90.66	11,067,727	147,735,349	98.00	24,088,295	15.98
2000	158,268,196	145,772,017	92.10	14,864,889	160,636,906	101.50	22,966,676	14.51
2001	164,289,477	151,920,934	92.47	13,500,607	165,421,541	100.69	23,849,503	14.52
2002	171,755,456	158,914,465	92.53	12,882,988	171,797,453	100.03	25,353,069	14.76
2003	169,202,684	158,040,849	93.40	9,746,088	167,786,936	99.16	26,768,662	15.82
2004	181,152,647	166,948,898	92.16	11,170,808	178,119,704	98.33	19,480,809	10.75

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Note: Delinquent tax collections are reported in the year collected.

Table III-8 sets forth the City's ten largest taxpayers and the assessed value of real property owned by each such taxpayer during fiscal year 2004. The aggregate assessed value of the ten largest taxpayers represented 9.23% of the City's total assessable base at June 30, 2004.

Table III-8
City of Norfolk, Virginia
Ten Principal Real Property Taxpayers
June 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Real Property Assessed Value</u>	<u>Percentage of Total Real Property Assessed Value</u>
Verizon Virginia, Inc.	Public Service Utility	\$ 180,911,591	1.80%
Dominion Power Company	Public Service Utility	171,710,644	1.71
MacArthur Shopping Center, L.L.C.	Retail	152,762,300	1.52
Norfolk Southern Corporation	Public Service Railroad	69,757,900	0.70
Bank of America	Bank	69,658,599	0.69
Military Circle Ltd. Partnership	Shopping Center	69,467,700	0.69
Ford Motor Company	Truck Manufacturer	65,183,800	0.65
New Life Tower	Office Building	56,803,929	0.57
Cox Virginia Telecom, Inc.	Public Service Utility	52,428,800	0.52
Virginia Natural Gas	Public Service Utility	<u>37,482,438</u>	<u>0.37</u>
Total Principal Taxpayers		<u>\$ 926,167,701</u>	<u>9.23%</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004

Note: Total assessed value of taxable real property including public service corporations at June 30, 2004 was \$10,029,638,801.

GENERAL FUND EXPENDITURES

Costs of General City Government

The costs of general government are paid from the General Fund. These costs include expenditures for police protection, fire and paramedical services, health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, recreation and library services, economic development, solid waste disposal and general administrative services. Table III-9 presents the number of positions budgeted for employees (including salaries and related employee benefits such as health insurance and pension contributions).

Table III-9
City of Norfolk, Virginia
Budgeted Positions
Fiscal Years 2001-2005

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Number of</u> <u>Budgeted Positions</u> ⁽¹⁾
2001	3,879
2002	3,995
2003	3,931
2004	3,929
2005	3,934

Sources: Approved Operating Budgets, Fiscal Years 2001 through 2005, Department of Finance, City of Norfolk.

Notes: (1) Figures shown represent the number of permanent and permanent part-time General Fund positions, exclusive of School Board positions.

Protected Self-Insurance Program

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 11, 1978, the City established a protected Self-Insurance Program Fund, pursuant to an ordinance adopted by the City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims and related expense payments made during Fiscal Year 2004 was \$7,357,365.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 2004, the amount of these liabilities, was \$17,020,780 and is reported as a long-term liability in the government-wide financial statements. Liabilities for incurred losses are reported at their present value, using the expected future investment yield assumption of five (5%) percent. These liabilities are the City's best estimates based on currently available information.

The City has designated \$4,728,960 of the general fund balance to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations.

The School Board also participates in the program and its projected present value (5%) liability at June 30, 2004 was \$1,565,983. It also provides payments for its risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the Public Schools operating budgets.

Retirement Plan

The City has a non-contributory retirement plan for full-time permanent employees other than employees of the School Board. The contributions of the City are designed to fund the plan's current service cost adjusted by an amortization of the plan's actuarially determined surplus or deficit over a period of 20 years. Contributions are appropriated (and paid from revenue collected) in the year subsequent to the performance of the services which result in the accumulated benefits.

Total annual pension contributions for all City employees over the last five years to the City's noncontributory retirement plan for full-time employees (excluding the employees of the School Board and other City employees participating in the Virginia Retirement System) are presented in Table III-10.

Table III-10
City of Norfolk, Virginia
Schedule of Annual Pension Contributions
Fiscal Years 2000-2004

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension</u> <u>Contribution</u>
2000.....	\$ 0
2001.....	0
2002.....	4,343,124
2003.....	17,046,924
2004.....	23,469,744

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Note: Actuarially required Pension Contributions are funded and paid in the Fiscal Year following the contribution determination.

Employee Relations and Collective Bargaining

The Supreme Court of Virginia has ruled that in the absence of legislation, municipalities and school boards in Virginia do not have the authority to enter into collective bargaining agreements.

PUBLISHED FINANCIAL INFORMATION

The City issues and distributes a Comprehensive Annual Financial Report on its financial operations for each fiscal year. The City also publishes annually an Operating Budget and a five-year Capital Improvement Program (CIP) Budget. These documents are available via the internet at www.norfolk.gov. In addition, the City will undertake to provide or cause to be provided certain Annual Financial Information described in the section "CONTINUING DISCLOSURE" to fulfill the requirements of the Rule promulgated by the SEC.

GENERAL FUND OPERATING BUDGET RESULTS FOR FISCAL YEAR 2004

On the budgetary basis of accounting, General Fund revenues were \$674,626,833 representing 99.3% of budgeted revenue. General Fund expenditures were \$663,027,872 representing 97.6% of budgeted expenditures. Table III-11 summarizes key financial results.

Table III-11
City of Norfolk, Virginia
General Fund Operating Budget Summary Results
for the Fiscal Year 2004

	<u>Fiscal Year</u> <u>2004</u> <u>Final Budget</u>	<u>Fiscal Year</u> <u>2004</u> <u>Results</u>	<u>Percent</u> <u>of</u> <u>Budget</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Total Revenue and non-revenue receipts	\$ 679,085,917	\$ 674,626,833	99.3%	\$ (4,459,084)
Total Expenditures	\$ 679,085,917	\$ 663,027,872	97.6%	\$ 16,058,045
Revenue greater (less) than expenditures	\$ ----	\$ 11,598,961	---	\$ 11,598,961

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

General Fund Operating Budget for Fiscal Year 2005

The Fiscal Year 2005 General Fund Operating Budget was adopted on May 18, 2004 and totals \$700,617,600 reflecting a 6.75% increase over the adopted Fiscal Year 2004 General Fund Operating Budget of \$656,335,400. Real estate assessments grew to the highest level in 15 years increasing 10.5% over the previous fiscal year generating \$13.9 million in additional property tax revenues. The real estate tax rate remains unchanged at \$1.40 per \$100 of assessed value for the 8th consecutive year. Hotel tax revenues are expected to increase 13.7% and sales and use taxes are projected to grow 7.4% over the previous fiscal year. Revenues from the Commonwealth of Virginia mostly for education are anticipated to grow 13.2% or \$28.59 million. The budget anticipates carrying over \$9.174 million of the General Fund fund balance from Fiscal Year 2004 to Fiscal Year 2005 as part of the operating budget.

The budget focuses on targeted priorities including education, public safety, neighborhood revitalization and human services. Major revenue and expenditure categories are summarized in the following table.

Table III-12
City of Norfolk, Virginia
General Fund Budget
for the Fiscal Year July 1, 2004 through June 30, 2005

<u>Anticipated Revenue Receipts</u>	<u>Approved Budget</u>	<u>Appropriations For Expenditures</u>	<u>Approved Budget</u>
General Property Taxes	\$ 189,760,000	Legislative	\$ 3,480,600
Other Local Taxes	136,606,700	Executive	4,423,400
Permits, Privilege Fees		Department of Law	3,223,400
and Regulatory Licenses	2,880,500	Constitutional Officers	4,846,300
Fines and Forfeitures	1,555,700	General Management	72,187,600
Use of Money		Judicial	37,613,900
and Property	6,003,300	Public Health and Assistance	68,885,100
Charges for Services	16,891,400	Office of Elections	547,600
Miscellaneous Revenue	5,951,800	Public Works	33,346,200
Non-categorical Aid - Virginia	33,264,400	Community Development	6,566,400
		Parks, Recreation and Cultural	31,397,100
Shared Expenses	18,303,300	Education	283,351,800
Categorical Aid - Virginia	245,209,400	Public Safety	87,358,300
		Debt Service	63,389,900
Federal Categorical Aid	8,422,700		
Recovered Costs	16,594,000		
Other Sources and			
Transfers	19,174,000		
 TOTAL	 \$700,617,600	 TOTAL	 \$700,617,600

Source: Operating Budget for Fiscal Year 2005.

Table III-13
City of Norfolk, Virginia
General Governmental Expenditures by Function
Fiscal Years 1995-2004 ^{(1) (2)}

<u>Fiscal Year Ended June 30</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Public Assistance</u>	<u>Education</u> ⁽³⁾	<u>Parks Recreation and Cultural Enrichment</u>	<u>Community Development</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$36,917,111	\$6,126,662	\$76,472,235	\$32,650,627	\$35,014,726	\$214,978,211	\$26,339,849	\$13,984,263	\$38,203,355	\$480,687,039
1996	35,870,322	6,165,476	77,926,122	31,077,170	35,241,620	227,904,487	25,795,551	10,883,099	40,891,856	491,755,703
1997	36,720,966	6,752,504	85,920,183	26,352,551	35,429,802	229,932,404	33,077,355	13,732,616	45,740,591	513,658,972
1998	36,188,247	7,722,881	86,705,932	26,327,258	36,618,924	207,023,513	35,069,244	14,502,482	49,587,664	499,746,145
1999	35,434,071	7,391,037	89,995,173	28,876,783	40,489,774	215,462,984	39,324,139	16,539,497	45,684,622	519,198,080
2000	39,086,673	7,973,128	91,929,625	30,611,202	44,310,724	235,275,491	40,505,916	20,348,088	48,398,339	558,439,186
2001	40,735,804	6,512,446	107,955,580	44,737,728	37,181,572	244,598,970	29,567,789	16,365,845	51,121,038	578,776,772
2002	42,328,092	7,230,870	112,625,249	43,963,829	45,429,443	83,882,544	30,241,641	16,944,778	48,637,132	431,283,578
2003	46,919,852	7,345,727	116,996,697	43,680,181	49,758,505	88,853,663	31,959,153	17,672,800	48,447,410	451,633,988
2004	64,386,422	35,260,950	86,236,346	67,255,473	58,326,033	90,020,000	31,858,823	8,048,376	49,936,054	491,328,477

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

- Notes:
- (1) This table includes General Fund, School General Fund and Debt Service Fund, which are the only funds financed by the City's General Fund Operating Budget.
 - (2) Debt service expenditures in Table II-5 include fiscal agent's charges in addition to the amounts in this table.
 - (3) Beginning in FY 2002, the Education figures reflect the City's contribution to Norfolk Public Schools in accordance with GASB 34.

RESULTS OF FINANCIAL OPERATIONS

A comparative balance sheet at June 30, 2004 and 2003 extracted from the June 30, 2004 Comprehensive Annual Financial Report for the General Fund is presented in Table III-14. The Comparative Statement of Revenue and Expenditures for the City's General Fund for the past five fiscal years are presented in Table III-15. The City's most recent General Fund statements of changes in fund balances for the past five fiscal years are summarized in Table III-16.

Table III-14
City of Norfolk, Virginia
Balance Sheet, General Fund
June 30, 2004 with comparative totals for 2003

ASSETS	<u>2003</u>	<u>2004</u>
Cash and cash equivalents	\$ 39,942,883	\$36,420,896
Investments	---	457,927
Receivables:		
Taxes.....	25,182,290	26,678,608
Accounts net of allowance for uncollectible accounts.....	4,130,947	8,325,075
Notes	457,466	289,890
Accrued investment income.....	85,628	80,159
Due from other funds.....	3,536,885	2,095,605
Due from agency fund	87,054	151,183
Due from other governments	16,789,754	21,568,100
Advance to Parking Facilities Fund.....	400,000	---
Inventories	370,845	454,407
Total assets	<u>\$ 90,983,752</u>	<u>\$ 94,521,850</u>
 LIABILITIES		
Vouchers payable.....	\$ 6,788,255	\$5,697,304
Employee withholdings	17,791	677,386
Accrued payroll	3,755,225	3,946,148
Due to other funds	486,629	15
Due to agency fund	92,832	---
Due to component units (net).....	---	---
Deferred revenue	15,886,240	18,971,403
Other liabilities	5,850,229	3,129,619
Total liabilities	<u>\$ 32,877,201</u>	<u>\$ 32,421,875</u>
 FUND EQUITY:		
Fund balance:		
Reserved for:		
Encumbrances.....	\$ 7,158,262	\$6,958,865
Inventories	1,159,106	454,024
Retirees Reserve	---	739,106
Unreserved:		
Designated for:		
Risk Management	1,940,000	4,728,960
Future expenditures	4,000,000	6,090,724
Fiscal Year appropriations.....	12,483,226	9,174,000
Undesignated.....	31,365,957	33,954,296
Total fund equity	<u>58,106,551</u>	<u>62,099,975</u>
Total liabilities and fund equity	<u>\$ 90,983,752</u>	<u>\$ 94,521,850</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004.

Table III-15
City of Norfolk, Virginia
Comparative Statement of Revenue and Expenditures, General Fund
Fiscal Years 2000 - 2004

		Fiscal Year Ended June 30,				
		2000	2001	2002 ⁽¹⁾	2003 ⁽¹⁾	2004 ⁽¹⁾
Revenue:						
General property taxes		\$ 152,061,598	\$ 153,366,476	\$ 159,512,496	\$168,892,719	\$178,360,554
Other local taxes		119,106,596	126,536,522	127,262,071	128,453,471	135,913,691
Permits, privilege fees and regulatory licenses		2,942,853	2,600,873	2,699,765	2,972,611	3,204,071
Fines and forfeitures		1,660,692	1,683,980	1,541,388	1,569,454	1,626,731
Use of money and property		8,246,381	8,779,583	7,034,215	6,785,960	6,314,660
Charges for services		11,608,520	11,574,243	10,765,690	11,642,327	12,449,529
Miscellaneous		4,490,174	4,111,221	4,580,265	5,032,482	4,505,314
Recovered costs		12,337,518	14,135,337	10,008,260	9,556,223	12,296,915
Intergovernmental		<u>91,907,477</u>	<u>97,080,418</u>	<u>105,577,097</u>	<u>102,846,522</u>	<u>129,148,556</u>
Total Revenue		<u>\$ 404,361,809</u>	<u>\$ 419,868,653</u>	<u>\$ 428,981,247</u>	<u>\$ 437,751,769</u>	<u>\$483,820,021</u>
Expenditures:						
General government administration		\$ 23,825,965	\$ 26,111,079	\$ 42,328,152	\$ 46,919,852	\$ 64,390,732
Judicial administration		7,973,128	6,512,446	7,230,870	7,345,727	35,260,950
Public safety		91,929,625	97,808,735	112,625,249	116,996,697	86,236,346
Public works		30,611,202	32,076,794	43,963,829	43,680,181	67,255,473
Education		---	---	83,882,544	88,853,663	90,020,000
Health and public assistance		44,310,724	43,987,566	45,429,383	49,758,505	58,326,033
Parks, recreation and cultural enrichment		40,505,916	42,228,723	30,241,641	31,959,153	31,858,823
Community development		20,348,088	19,416,457	16,944,778	17,672,800	8,048,376
General services		<u>15,260,708</u>	<u>14,914,964</u>	---	---	---
Total Expenditures		<u>\$ 274,765,356</u>	<u>\$ 283,056,764</u>	<u>\$ 382,646,446</u>	<u>\$403,186,578</u>	<u>\$441,396,733</u>
Excess of revenue over expenditures		<u>129,596,453</u>	<u>136,811,889</u>	<u>46,334,801</u>	<u>34,565,191</u>	<u>42,423,288</u>
Other financing sources (uses):						
Proceeds from sale of land		\$ 70,212	\$ 10,762,634	\$ 160,468	\$ 29,046	\$ 342,076
Proceeds from capital leases		4,975,018	6,666,606	2,183,756	7,503,072	4,430,252
Capital contributions		---	---	---	410,715	---
Transfers in		10,877,730	12,955,526	8,591,760	10,044,504	10,449,842
Transfers out		(55,512,251)	(62,234,866)	(62,014,515)	(62,412,483)	(58,553,596)
Operating Transfers to School Board component unit		(79,032,544)	(80,882,544)	---	---	---
Operating transfers out to component unit		<u>(2,621,624)</u>	<u>(3,133,076)</u>	---	---	---
Total Other Financing Sources (Uses)		<u>\$(121,243,459)</u>	<u>\$(115,865,720)</u>	<u>\$(51,078,531)</u>	<u>\$(44,425,146)</u>	<u>\$(43,331,426)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER						
FINANCING SOURCES OVER EXPENDITURES AND OTHER USES		<u>\$ 8,352,994</u>	<u>\$ 20,946,169</u>	<u>\$ (4,743,730)</u>	<u>\$ (9,859,955)</u>	<u>\$ (908,138)</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2000 through 2004.

(1) Due to compliance with GASB 34, beginning in Fiscal Year 2002, certain components were combined.

Table III-16
City of Norfolk, Virginia
Comparative Statement of Changes in Fund Balance, General Fund
Fiscal Years 2000 - 2004

	Fiscal Year Ended June 30				
	2000	2001	2002	2003	2004
Excess (Deficiency) of Revenue and Other Financing Sources over Expenditures and Other Uses	\$ 8,352,994	\$ 20,946,169	\$ (4,743,730)	\$ (9,859,955)	\$ (908,138)
Fund balance at beginning of year	44,172,675	52,144,868	72,710,237	67,966,507	58,106,552
Adjustment to beginning balance					4,901,561
Increase (decrease) in reserve for inventories	<u>(380,801)</u>	<u>(380,800)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at end of year	<u>\$ 52,144,868</u>	<u>\$ 72,710,237</u>	<u>\$ 67,966,507</u>	<u>\$ 58,106,522</u>	<u>\$ 62,099,975</u>

Sources: Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2000 through 2004.

**PART IV
ENTERPRISE FUNDS**

WATER UTILITY FUND

Overview

The City-owned water system (the “Water System”), operated through its Department of Utilities, is one of the largest municipal water systems in the Commonwealth. The approximately 700,000 people served by the Water System are distributed throughout the City, the Naval bases in the Cities of Norfolk and Virginia Beach, and residents of the Cities of Virginia Beach and Chesapeake. A Naval base in the City of Portsmouth is provided raw water service. The distribution of average metered consumption in the fiscal year ended June 30, 2004, is shown in Table IV-1.

**Table IV-1
City of Norfolk, Virginia
Water System
Average Metered Consumption by Customer
Fiscal Year 2004**

<u>Customer</u>	<u>Metered Consumption (MGD)</u>	<u>Percent of Total</u>
Norfolk	19.3	30.4%
Virginia Beach	35.5	55.8
U.S. Navy	5.7	8.9
Chesapeake	<u>3.1</u>	<u>4.9</u>
	63.6	100.0%

Source: Department of Utilities.

As of June 30, 2004, the System had an average of 63,000 active accounts. The average annual daily amount of finished water pumped for Fiscal Year 2004, was 68.1 mgd (million gallons per day). Average day production includes approximately 5.0 mgd of unaccounted for water such as losses, water used for fire protection, and the flushing of water mains. For Fiscal Year 2004, the System’s unaccounted for water level was approximately 10% which is within the American Water Works Association acceptable levels.

Prior to Fiscal Year 1998, Virginia Beach’s water use was restricted due to concerns about exceeding the safe yield of the Water System’s sources. Due to its rapid population growth since the 1950s, combined with recurring water shortages, Virginia Beach constructed a 76 mile pipeline from Lake Gaston in Brunswick County, Virginia to the Water System through which raw water from Lake Gaston is conveyed, treated by Norfolk, and then delivered to Virginia Beach. With the completion of the Lake Gaston Pipeline in Fiscal Year 1998, the conservation restrictions on Virginia Beach’s water use have been lifted, except in times of drought.

Wholesale Contracts

A significant portion of the Water System’s revenue is derived from wholesaling water to the Cities of Virginia Beach, Portsmouth, and Chesapeake and the U.S. Navy. The City has wholesale contracts with the U.S. Navy and Virginia Beach. In the absence of a wholesale contract, the City of Chesapeake purchases treated water from the City at an equivalent Norfolk retail rate. If a wholesale contract between the City of Chesapeake and the City is executed, the City anticipates the City of Chesapeake will continue to purchase treated water from the City at retail rates. The City also has executed a contract with the City of Chesapeake that is assumed to average 7 mgd of raw water starting in Fiscal Year 2007. In addition, the City has a contract with Virginia Beach for wheeling and treating Lake Gaston water and a contract with Portsmouth for the sale of emergency raw water.

Financial Management

On July 1, 1979, the City Council established the Water Utility Fund as a distinct enterprise fund to account for all of the financial activity related to providing water services to its customers. Since its inception, the Fund has operated on a self-supporting basis.

Historically, regular annual transfers have been made from the Water Utility Fund to the City's General Fund for payments-in-lieu of taxes and as a return on the City's investment in the Water System. Additionally, transfers have been made to pay all debt service on general obligation bonds issued by the City prior to the creation of the water revenue bond program in 1993 to pay for Water System improvements. The City intends to pay for all future Water System capital costs from revenue of the Water System and proceeds of water revenue bonds. The Water Utility Fund is reported on an accrual basis of accounting.

Water Rates

Retail rates are set by City Council. Effective in Fiscal Year 2004, the City Council established retail rates as follows:

<u>Fiscal Year</u>	<u>Retail Rate</u>
2005	\$3.01 per 100 cubic feet
2006	\$3.26 per 100 cubic feet
Thereafter	3.5% annual increases each July 1

U.S. Navy and Chesapeake wholesale rate revisions for inclusion in City Ordinances are approved by City Council. Virginia Beach formula driven biennial wholesale rate revisions are not submitted for City Council approval. In order to encourage conservation, the current rate structure is a uniform rate per thousand gallons, with no quantity discount. Retail customers are charged a monthly service charge.

WASTEWATER UTILITY FUND

The City owns and operates a sanitary sewer system (Sewer System) which collects and conveys wastewater to the regional processing agency, the Hampton Roads Sanitation District. Approximately 61,400 accounts located within the City are served. Since July 1, 1983, the Wastewater Utility Fund has been operated as an enterprise fund.

As of June 30, 2003:

Approximate population served	61,400	accounts
Total wastewater pumping stations	126	pump stations
Miles of gravity wastewater mains	811.53	miles
Miles of wastewater force mains	61.67	miles

City general obligation debt issued to finance wastewater utility projects is carried as a liability on the Wastewater Utility Fund balance sheet. The Wastewater Utility Fund provides the funds for debt service on such bonds.

Each customer using the City sanitary sewer system is charged at a rate based on the flow through an effluent meter. In the absence of an effluent meter, the water meter flow is used. Rates are set by City Council. Effective in Fiscal Year 2004, the City Council established retail rates as follows:

<u>Fiscal Year</u>	<u>Retail Rate</u>
2005	\$2.47 per 100 cubic feet
Thereafter	4% annual increases each July 1

PARKING FACILITIES FUND

The City presently owns and operates 14 multi-level parking garages, 14 surface lots and 669 on-street spaces. These facilities provide a total inventory of over 18,600 downtown parking spaces.

The Parking Facilities Fund was established in Fiscal Year 1991. City general obligation debt issued to finance Parking Facilities Fund projects is carried as a liability on the Parking Facilities Fund's balance sheet. The Parking Division provides the funds for debt service on such bonds. The Parking Facilities Fund balance sheet on June 30, 2004, presents total assets of \$145,279,409 which include restricted investments of over \$3.8 million to be utilized for garage construction and required master indenture reserves. In addition, fixed assets, including parking structures, consist of over \$158 million of total assets. The Parking Facilities Fund also includes the Parking Ticket Office. This office is operated locally by City of Norfolk personnel, as well as by Professional Parking Solutions personnel in Alexandria, Virginia, to collect fines and delinquent fees and to schedule court appearances. The annual volume of tickets is approximately 75,000. In Fiscal Year 2004, 69,441 tickets were issued resulting in an 89% collection rate and revenue of \$2,493,055.

Transfers have been made from the Parking Facilities Fund to the General Fund to pay all debt service on general obligation bonds issued by the City to pay for Parking System improvements. The City intends to pay for all future parking related capital costs from revenue of the Parking System and proceeds of Parking System revenue bonds.

**PART V
THE CITY OF NORFOLK**

INTRODUCTION

The City of Norfolk was established as a town in 1682, as a borough in 1736 and incorporated as a city in 1845. The City is the economic, business, educational and cultural center of Southeastern Virginia. The City lies at the mouth of the James and Elizabeth Rivers and the Chesapeake Bay, and is adjacent to the Atlantic Ocean and the cities of Virginia Beach, Portsmouth and Chesapeake.

**Table V-1
City of Norfolk, Virginia
Area of City**

<u>Year</u>	<u>Square Miles</u>
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
2000	65.98
2004	65.98

CITY GOVERNMENT

Norfolk is an independent, full-service City with sole local government taxing power within its boundaries. It derives its governing authority from a charter (the “Charter”), originally adopted by the General Assembly of Virginia in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City and consists of seven members elected to office under a ward-based system, with two members elected from City-wide super wards. The City Council elects a Mayor and a Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out its policies, directs business procedures and appoints, with the power to remove, the heads of departments and other employees of the City except those otherwise specifically covered by statutory provisions. The City Council also appoints certain boards, commissions and authorities of the City.

Certain Elected Officials

The City’s current elected officials include:

Paul D. Fraim, Mayor

Mayor Fraim, representing Ward 2, was elected Mayor in July 1994 and is serving the City in this capacity for his fifth consecutive term. He is the president of the law firm Heilig, McKenry, Fraim & Lollar, P.C., and was first elected to City Council in 1986. He has a B.A. degree from Virginia Military Institute, Lexington, Virginia, and a Masters in Education from the University of Virginia, Charlottesville, Virginia. He received his Law degree from the University of Richmond, Richmond, Virginia. Mayor Fraim is an active member of the Virginia State Bar, the Virginia Bar Association and the Norfolk-Portsmouth Bar Association and has held a number of leadership positions in these organizations.

Daun S. Hester, Vice Mayor

Mrs. Daun Hester, representing Super Ward 7, was first elected to City Council in July 1996. Mrs. Hester is currently employed as Coordinator of Student Affairs for Norfolk Public Schools. She received a B.S. degree from Virginia State University, Petersburg, Virginia, and a Master of Arts in Education and Human Development from The George Washington University, Washington, D.C. Mrs. Hester is active in many local professional organizations.

Anthony L. Burfoot, Council Member

Mr. Burfoot, representing Ward 3, was first elected to City Council in July 2002. He is a Sales Representative for Liberty Mutual Group in Chesapeake, Virginia. He received a Bachelor of Science degree in Public Administration and a Master's degree in Educational and Administrative Supervision from Virginia State University. He is involved in many civic and business activities.

Paul R. Riddick, Council Member

Mr. Riddick, representing Ward 4, was first elected to City Council in 1992. He is the owner of Riddick Funeral Service. He attended Norfolk State University, Norfolk, Virginia, and has an A.A.S. degree in Funeral Service from John Tyler Community College, Chester, Virginia. Mr. Riddick is active in many local professional organizations.

Donald L. Williams, Council Member

Mr. Williams, representing Ward 1, was first elected to City Council in July 2002. Prior to running for Council, Mr. Williams served as a delegate in the Virginia House of Delegates from 1998-2001. He is currently president and a broker at the Hampton Roads Housing Center. He attended Old Dominion University and obtained a broker's license in 1983. Mr. Williams is active in many civic and business activities.

Barclay C. Winn, Council Member

Mr. Winn, representing Super Ward 6, was first elected to City Council in July 2000. He is the co-owner of Winn Nursery of Virginia, Inc. He received a Bachelor of Science degree from North Carolina State University, Raleigh, North Carolina. Mr. Winn is active in many civic and business activities.

W. Randy Wright, Council Member

Mr. Wright, representing Ward 5, was first elected to City Council in July 1992. He is the owner of Randy Wright Printing and Publishing. He is involved in many civic and business activities.

Certain Appointed Officials

Regina V.K. Williams, City Manager

Regina V.K. Williams assumed the post of Norfolk City Manager in January 1999. Her responsibilities include the supervision of the administrative operations of the City and the preparation of its annual budget. She served as City Manager for the City of San Jose, California for five years and previously served as Assistant City Manager for five years. Prior to serving in San Jose, Mrs. Williams was Deputy City Manager and Chief of Staff for the City of Richmond, Virginia. In 1982, Mrs. Williams was appointed by then Virginia Governor Charles Robb as the first female and first African American to be State Director of Personnel and Training. In 1991, she was inducted as a fellow into the National Academy of Public Administration (NAPA). In 1988, Mrs. Williams was elected to a vice-presidency of the Board of Directors for the International City-County Management Association (ICMA). She was awarded the designation of manager of the year in September 2002 by ICMA. Mrs. Williams also served as the President of the National Forum of Black Public Administrators in 1995-96 and is a founder and

former President of the Richmond, Virginia Chapter of the Conference of Minority Public Administrators. She earned her Bachelor of Science Degree from Eastern Michigan University, Ypsilanti, Michigan and a Masters degree in Public Administration from Virginia Commonwealth University, Richmond, Virginia.

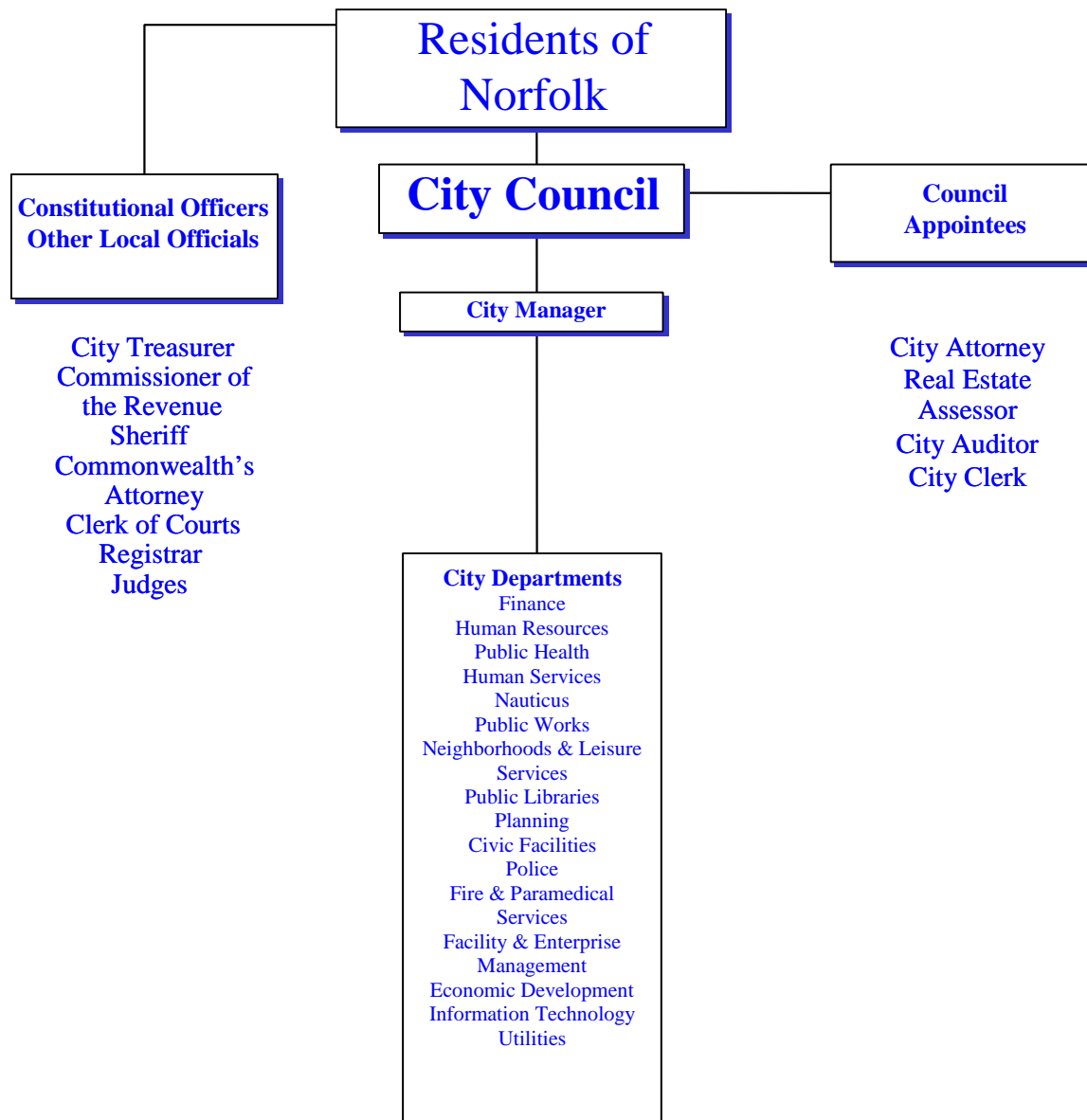
Steven G. de Mik, Director of Finance

Steve de Mik commenced his tenure as Director of Finance on September 1, 2000. At the direction of the City Manager, he is responsible for identifying strategic opportunities for the City in the policy areas of taxation, financial management, fiscal policy development and instruction and economic development. In addition, he is responsible for the administration of the financial affairs of the City which include cash management and investments, debt management, financial accounting and reporting, procurement, risk management, and retiree benefits. Mr. de Mik came to the City from Knox County, Tennessee where he served as the Deputy Director of Finance and Administration. His other work experiences include service with the State of Tennessee Comptroller of the Treasury and Chipman and McMurray, Certified Public Accountants. Mr. de Mik earned a Bachelor of Science degree in Accounting and Business Administration from Southwest Baptist University, Bolivar, Missouri. He is also a licensed Certified Public Accountant.

Bernard A. Pishko, City Attorney

Bernard A. Pishko was first appointed by City Council as City Attorney in November 1997. He previously served as Deputy City Attorney from 1989 to 1997 and as an Assistant City Attorney from 1984 to 1989. He has practiced law since 1982. The City Attorney is also general counsel for the Norfolk School Board, Norfolk Recreational Facilities Authority, Norfolk Community Services Board, Hospital Authority of Norfolk, Norfolk Municipal Employees' Retirement System, Norfolk Electoral Board, Civil Service Commission and The Chrysler Museum of Art. Mr. Pishko is a member of many professional associations and community organizations. He received his undergraduate degree from Brown University, Providence, Rhode Island, a Masters degree in Business Administration from the College of William and Mary, Williamsburg, Virginia, and a Law degree from the Marshall-Wythe School of Law.

Governmental Services and Facilities



In Virginia, cities and counties are not overlapping units of government. Each city or county is a distinct political entity providing services for the population within its respective jurisdiction. The City of Norfolk provides a comprehensive range of public services characteristic of its form of government under Virginia law. These services are designed to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. These general governmental services include police protection, fire and paramedical services, health and social services, planning and zoning management, code enforcement, storm water management, street maintenance, traffic control, parks and cemeteries operation and maintenance, recreation and library services, solid waste disposal and general administrative services. In addition, water, wastewater and parking facilities services are provided under an enterprise fund concept with user-charges set by City Council.

Other Governmental Entities

School Board of the City of Norfolk

The seven members of the School Board of the City of Norfolk (the “School Board”) are appointed by the City Council. The School Board is a corporate body and in its corporate capacity is vested with all of the duties, obligations and responsibilities imposed upon school boards by law. The City Council is required to appropriate annually to the School Board the amount needed for the support of the public schools in maintaining educational programs which meet the standards of quality prescribed by law. Categorical aid from the Commonwealth of Virginia and the federal government designated for educational purposes is included in the City’s General Fund budgetary revenue. This categorical aid, plus monies derived from local sources, provides the funds for the major share of the School Board’s operations. On an ongoing basis, the City also issues debt to finance needed capital projects of the school system.

The School Board presently operates thirty-five (35) elementary schools, nine (9) middle schools, five (5) high schools and thirteen (13) auxiliary schools. For the fiscal year ended June 30, 2004, the School Board’s expenditures for education totaled \$261,149,383.

National Maritime Center Authority

The National Maritime Center Authority (NMCA), a Virginia nonstock, not-for-profit, political subdivision of the Commonwealth of Virginia, was formed during 1988 as an administrative body for the planning, design and development (including fundraising) and operation of Nauticus, a public maritime education center which opened in June of 1994. City Council appointed commissioners who in turn designated management. Nauticus became a City department in Fiscal Year 1997.

Norfolk Airport Authority

The Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Authority’s Commissioners are appointed by City Council, but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority, and the Authority is required to submit its annual budget to the City Council for informational purposes only.

The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the “Airport”). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport.

The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligation as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments.

Hampton Roads Regional Jail Authority

The Hampton Roads Regional Jail Authority (HRRJA) is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual

having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The facility, which opened in March 1998, consists of approximately 385,518 square feet of building area, including three housing building units, a support building and a central plant. The Jail holds 875 inmates of which 250 are designated to the City. The City is responsible for 28.57% of the total operating cost less the revenue derived from the Virginia Compensation Board and the per diem reimbursement from the Commonwealth for the housing of state inmates.

The Southeastern Public Service Authority of Virginia

The Southeastern Public Service Authority (SPSA) is a joint venture of the cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, and is governed by an eight member Board of Directors, consisting of a representative appointed by each of the member cities and counties. The budgeting and financing of SPSA are subject to the approval of the Board of Directors, with each individual having a single vote. SPSA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages. The regional system includes a refuse-derived fuel plant and a fuel delivery system, located on federally-owned land in the City of Portsmouth, as well as solid waste transfer stations in each of the member jurisdictions, a landfill, rolling stock and ancillary facilities, and an extensive recycling program which collects recyclable waste products from single-family homes and at drop-off centers.

Hampton Roads Transportation District Commission

Hampton Roads Transit was created on October 1, 1999 with the consolidation of the Tidewater Regional Transit ("TRT") and PENTRAN. It is believed to be the first voluntary merger of public transit agencies in the nation. The district continues to be a political subdivision of the Commonwealth of Virginia, formed as a joint exercise of governmental power in accordance with the provisions of Chapter 32 of Title 15.2 of the Code of Virginia. The district provides transportation facilities and services to the Cities of Norfolk, Chesapeake, Hampton, Newport News, Portsmouth, Suffolk, and Virginia Beach.

The Hampton Roads (formerly Tidewater) Transportation District Commission, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia.

Table V-2
City of Norfolk, Virginia
Contributions to Hampton Roads Transportation District Commission
2000-2005

<u>Year</u>	<u>Contributions</u>
2000.....	\$3,203,679
2001.....	3,406,229
2002.....	4,118,780
2003.....	3,276,830
2004 ⁽¹⁾	3,002,003
2005 ⁽²⁾	3,021,200

Sources: City of Norfolk Council Approved Fiscal Year 2005 Budget.

(1) Approved

(2) Adopted

Hospital Authority of Norfolk

The Hospital Authority of Norfolk (HAN) is a tax-exempt, not-for-profit political subdivision of the Commonwealth. HAN has a nine-member Board of Commissioners appointed by City Council and was created pursuant to an Agreement of Transfer dated July 1, 1988. The Hospital Authority operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care.

Norfolk Redevelopment and Housing Authority

The Norfolk Redevelopment and Housing Authority (NRHA) is a political subdivision of the Commonwealth which was created by the City on July 30, 1940, under the provisions of the United States Housing Act of 1937. The NRHA provides subsidized public housing and administers redevelopment and conservation projects within the City in accordance with state and federal legislation. The seven members of the Board of Commissioners are appointed by City Council for staggered four-year terms. NRHA is responsible, through various funding agreements with the City, for the administration of such activities as community development, urban renewal, neighborhood development and conservation, and certain public housing services provided to residents of the City. However, the City does not exercise a significant degree of oversight responsibility for the NRHA as it is responsible for designating its own management, developing its own operating budget and executing major contracts on its own behalf. The NRHA also is responsible for its own fiscal matters as it maintains its own books of account, is audited annually by independent accountants that it engages, has authority over earnings, deficits and monies other than City contract funds and is fully responsible for the repayment of the debt it incurs.

ECONOMIC AND DEMOGRAPHIC FACTORS

Population

As reflected in the Table V-3, from 1970 to 2001, the population of the City declined; a fact which can be attributed in part to the clearance and redevelopment of blighted areas and to a reduction in the birth rate. More recently published population statistics suggest the City's population has now stabilized. The City is the second most populous city in Virginia, as shown in Table V-4.

**Table V-3
Population Trend Comparisons
1960-2003**

<u>Year</u>	<u>Norfolk</u>	<u>Hampton Roads MSA⁽¹⁾</u>	<u>Virginia</u>	<u>U.S.</u>
1960	305,872	881,600	3,954,429	179,323,175
1970	307,951	1,058,764 ⁽²⁾	4,468,479	203,211,926
1980	266,979	1,160,311 ⁽²⁾	5,346,279	226,504,825
1990	261,250	1,430,974	6,189,197	249,632,692
2000	234,403	1,533,739 ⁽³⁾	7,079,030	281,421,906
2001	234,000 ⁽³⁾	1,542,300 ⁽³⁾	7,196,800 ⁽³⁾	285,317,559 ⁽⁴⁾
2002	234,100 ⁽³⁾	1,549,400 ⁽³⁾	7,287,800 ⁽³⁾	288,368,698 ⁽⁴⁾
2003	234,100 ⁽³⁾	1,559,000 ⁽³⁾	7,386,300 ⁽³⁾	290,809,777 ⁽⁴⁾

Sources: Various Reports of the Bureau of the Census.

- Notes :
- (1) Until March 1993, the Hampton Roads MSA consisted of the Virginia localities of Norfolk, Chesapeake, Hampton, Newport News, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, Gloucester County, James City County, and York County. In March 1993, Mathews County and Isle of Wight County, Virginia, and Currituck County, North Carolina were added to the Hampton Roads MSA.
 - (2) Weldon Cooper Center for Public Service, University of Virginia, is the source for the 1970 and the 1980 MSA Population.
 - (3) Population estimate from Weldon Cooper Center for Public Service, University of Virginia.
 - (4) Estimates from U.S. Census Bureau.

**Table V-4
Five Most Populous Cities in Virginia**

<u>City</u>	<u>2000 Census Population</u>	<u>2003 Population Estimate</u>
Virginia Beach.....	425,257	428,200
Norfolk.....	234,403	234,100
Chesapeake	199,184	206,600
Richmond.....	197,790	195,300
Newport News	180,697	180,900

Source: U.S. Department of Commerce, Bureau of the Census and the Weldon Cooper Center for Public Service, University of Virginia.

Table V-5 provides an annual comparison of per capita personal income since 1995.

Table V-5
City of Norfolk, Virginia
Per Capita Personal Income Comparisons
1995-2002

<u>Year</u>	<u>City</u>	<u>Hampton Roads</u> <u>MSA</u>	<u>State</u>	<u>U.S.</u>
1995	\$18,667	\$20,856	\$24,056	\$23,076
1996	19,401	21,876	25,034	24,175
1997	20,361	22,838	26,307	25,334
1998	21,406	24,026	27,780	26,883
1999	22,131	24,912	29,226	27,939
2000	23,509	26,355	31,084	29,847
2001	24,442	27,557	32,328	30,527
2002	24,873	28,365	32,793	30,906
2003	*	*	33,651	31,459

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 2003.

* Data not available at time of publication

The age distribution of the City's population is presented in Table V-6.

Table V-6
City of Norfolk, Virginia
City Population Distribution by Age
1960-2000

<u>Year</u>	<u>Population</u>	<u>Under 20</u>	<u>20-64</u>	<u>65 or Older</u>
1960	305,872	39.8%	54.5%	5.7%
1970	307,951	35.4	57.8	6.8
1980	266,979	30.7	60.1	9.2
1990	261,250	28.1	61.4	10.5
2000	234,403	27.3	61.5	11.2

Sources: Various Reports of the Bureau of the Census.

Housing and Construction Availability

Table V-7 provides an annual breakdown of residential building permits since 1995.

Table V-7
City of Norfolk, Virginia
Residential Construction
Fiscal Years 1995 - 2004

<u>Fiscal Year</u>	<u>Building Permits</u>	<u>Number of Units</u>	<u>Value (in thousands)</u>
1995	208	453	\$24,856
1996	192	214	17,024
1997	177	177	12,880
1998	192	282	24,263
1999	174	241	21,872
2000	189	310	38,739
2001	185	401	35,109
2002	290	462	44,498
2003	284	497	54,520
2004	506	601	75,801

Source: Permit Tracking System, Department of Planning, City of Norfolk

Table V-8 presents annual nonresidential construction, which includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.

Table V-8
City of Norfolk, Virginia
Nonresidential Construction
Fiscal Years 1995 - 2004

<u>Fiscal Year</u>	<u>Building Permits</u>	<u>Value (in thousands)</u>
1995	50	\$22,509
1996	46	26,147
1997	53	87,688
1998	54	79,500
1999	46	52,932
2000	45	138,472
2001	35	62,046
2002	53	51,451
2003	35	24,084
2004	71	142,658

Source: Permit Tracking System, Department of Planning, City of Norfolk

Employment

Businesses in the City provide residents with employment opportunities in a variety of industries of which services, government and trade are the most significant.

The unemployment rate for the City is illustrated in Table V-9.

Table V-9
City of Norfolk, Virginia
Unemployment Rates
1994 –2004

	<u>Norfolk</u>	<u>Hampton Roads MSA</u>	<u>Virginia</u>	<u>U.S.</u>
1995	6.4%	4.9%	4.5%	5.6%
1996	6.8	4.8	4.4	5.4
1997	6.9	4.8	4.0	4.9
1998	5.3	3.4	2.9	4.5
1999	5.2	3.4	2.8	4.2
2000	4.0	2.6	2.2	4.0
2001	5.4	3.5	3.4	4.7
2002	6.3	4.2	4.1	5.8
2003	6.5	4.4	4.1	6.0
2004	6.3	4.2	3.5	5.5

Source: Virginia Employment Commission.

Table V-10
City of Norfolk, Virginia
Civilian Employment and Average Weekly Gross Wages
1st Quarter, 2004

<u>Category</u>	<u>Number of Establishments</u>	<u>Number of Employees</u>	<u>Average Weekly Gross Wage</u>	<u>Percentage</u>
Construction	458	5,524	\$618	3.8%
Manufacturing	196	9,378	989	6.5
Trade, Transportation & Utilities	1,378	52,666	634	18.5
Information	110	3,841	1,035	2.7
Financial Activities	590	988	927	6.5
Professional & Business Services	907	1,801	778	13.1
Education and Health Services	493	21,032	661	14.7
Leisure and Hospitality	586	11,531	259	8.0
Other Services	660	3,823	431	2.7
Public Administration	<u>117</u>	<u>33,618</u>	<u>832</u>	<u>23.4</u>
Total	5,495	143,502	\$716	100.0%

Source: U.S. Bureau of Labor Statistics.

Economic Development

Norfolk is the business, financial, cultural, and educational center of Southeastern Virginia. The City is located at the epicenter of Virginia's second most heavily populated region. Economic development initiatives are focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization, and commercial corridor development. These initiatives provide a structure for development and redevelopment throughout the City.

Downtown Development

Downtown offers a mix of cultural attractions and entertainment for its citizens and tourists. Resulting from the coordinated efforts of the City, downtown property assessed value increased 31.66% from Fiscal Year 1998 to 2005. This renaissance is the result of many years of public-private partnerships and innovative planning. Since Fiscal Year 1997, new benchmarks for private investment of \$452 million in office development, \$591 million in residential, \$380 million in retail and restaurants and \$108 million in hospitality in hotels were established.

In 2003, the average asking rent for Downtown Class A office space increased 4.3% to \$20.31 a square foot, while the vacancy rate was 13.2% after an initial rise from the opening of the 225,000 square foot 150 West Main Street Building.

Table V-11
City of Norfolk, Virginia
Downtown Norfolk Vacancy
December 2004

<u>Class A</u>	<u>Rentable SF</u>	<u>Vacant SF</u>	<u>% Vacant</u>
150 West Main Street	226,183	30,385	13.43%
Crown Center	62,000	-	0.00
Dominion Tower	403,276	17,996	4.46
Main Street Tower	200,000	30,743	15.37
Norfolk Southern Tower	301,463	-	0.00
Town Point Center	130,266	23,961	18.39
World Trade Center	<u>366,941</u>	<u>53,664</u>	<u>14.62</u>
TOTAL	1,690,129	156,749	9.27%

Source: City of Norfolk, Department of Development, December 2004.

Development Policy Enhancements

Commercial Revitalization

City-lead initiatives to stimulate commercial revitalization include: Tax Abatement Program (recently expanded to accommodate qualifying commercial and industrial properties in addition to the original residential program); Federal Empowerment and HUB Zones; State Enterprise Zones; Small Area Aesthetic Matching Grant Program; Aesthetic Improvement Grant Pool; Pedestrian Commercial Overlay Zones Tax and Grant Benefits; Concentrated Development Zone Incentives; public infrastructures; amenities; Tax Increment Financing Zones; and Revolving Loan Funds.

A Comprehensive Economic Development Strategy (CEDS), a local planning process designed to guide the economic growth of an area, was approved by City Council on August 24, 2004 and was approved by the U.S. Economic Development Administration (US EDA) on September 15, 2004. A CEDS is required to qualify for US EDA assistance for public works programs, economic adjustment, planning programs, and designation as an Economic Development District (EDD). A CEDS Committee will oversee the implementation and annual evaluation of the CEDS. A CEDS Committee will work

closely with US EDA staff to identify eligible projects that will benefit from US EDA Public Works Grant assistance.

Empowerment/Enterprise Zones

In Fiscal Year 2003, twenty-eight businesses in the City qualified for and received \$1,170,338 in General Income Tax Credits, four businesses qualified for and received \$431,560 in Real Property Improvement Tax Credits, and 12 businesses qualified for and received \$202,536 in Job Grants. The four businesses receiving Real Property Improvement Tax Credits made \$1,479,590 in qualified improvements to their enterprise zone property. Some businesses qualified for all three state incentives; therefore, the above business figures cannot be totaled. Thirty-seven businesses in the City qualified for and received state tax credits and/or grants under the Virginia Enterprise Zone Program.

Neighborhood Revitalization

Neighborhood revitalization is one of the City's core initiatives and part of the economic development plan. By increasing the diversity of housing opportunities, the City expects to increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development is to provide an environment that will increase private sector investment, retail sales generation and corresponding municipal revenue generation, create a framework for targeted and coordinated public and private investment and build upon and coordinate with other ongoing community development initiatives.

The City's existing Tax Abatement policy is designed to benefit property owners who make substantial reinvestment in the rehabilitation and reuse of mixed-use, commercial, industrial and multi-tenant residential property that meets eligibility standards. The Tax Abatement Program can be leveraged with State and Federal Historic Tax Credits. There has been a 44.6% growth in total residential applications from February 2003 until March 2004 – and, for the same period, a 41% growth in acceptance. The distribution of tax abatements is shown in Table V-12.

Table V-12
City of Norfolk, Virginia
Distribution of Tax Abatements

<u>Value</u>	<u>Utilization</u>
under \$50,000	21.6%
\$50,000 – \$ 74,999	25.8%
\$75,000 - \$100,000	15.4%
over \$100,000	37.3%

Source: City of Norfolk, Virginia Economic Development Department.

Residential Investment

Neighborhood corridors are experiencing a period of residential investment in new and existing properties. Norfolk's downtown area was ranked as one of the top ten for residential growth by USA Today in May 2001 based on census data. Since 2001, over 1,000 housing units are or have been under development in the Downtown core. Investors have delivered more than \$1 billion per year in investment during the past five years.

New Residential Multifamily Developments In Downtown

The Downtown 2010 Plan calls for a series of initiatives, many of which are residential, whereby all of the individual developments are coordinated with public improvements. The Come Home to Norfolk Housing Initiative has had a significant impact on residential housing citywide, with a particular emphasis in downtown Norfolk.

Two City-owned properties offered for development by RFP in 2003 are under construction, resulting in a \$60 million investment. The residential development occurring on these City-owned sites includes: Tazewell Properties, a \$40 million investment, 77 condos (some lofts), with a first floor retail grocery; up to 248 apartments in two, seven-story buildings at Brambleton and Bute Streets; St. Paul's Place, a \$20 million project, 90 condos (some lofts) alongside the MacArthur Center bringing a mix of historic façade, traditional condos (The Flats); and industrial lofts along St. Paul's Boulevard (The Lofts). In addition to this are 100 condominium units under construction at 388 Boush Street, an upscale community representing a \$26 million project with a hidden parking garage in the center.

Concurrently, private ventures in the Downtown area include: 411 Granby Street, a renovated office building housing 49 apartments; The Lofts on Granby with 49 rental units; and 44 condominiums at River Park, selling from \$220,000 to \$485,000. In fall 2004, Marathon Development Group announced an ambitious project, Granby Towers, which would deliver 400 units to the location of Granby Street/Brambleton Avenue across from the Federal Courthouse. This \$100 million project will feature two residential condominium towers with retail and amenities including pool, exercise facility, club area and parking.

New Residential Multifamily Projects Beyond Downtown

Ghent. Bristol at Ghent has completed demolition of an obsolete property and acquired other properties from 14th Street to 17th Street between Granby Street and Monticello Avenue. The new multifamily development will feature 268 rental units with an attached five-story garage and clubhouse amenities. Phase II consists of 90 condominiums. The project cost is approximately \$30 million.

Ocean View. In 2002, the City of Norfolk purchased the former site of a 31-acre trailer park located on Pretty Lake in the heart of the East Ocean View Renaissance. The City negotiated a Land Disposition and Development Contract with Harbor Walk Development, LLC for the redevelopment of the property as "Harbor Walk of Norfolk," an upscale, 238-unit condominium project. With an overall anticipated market value in excess of \$70 million and annual revenues to the City in excess of \$1.5 million, the condominium project was opened to residents in June 2004. Unit prices range to over \$500,000. As of December 2004, 18 units have been sold and there are twenty contracts pending.

Larchmont. The Landings at Bolling Square is under construction. The demolition of the former Bolling Square Apartments is almost complete. The 184 condominium unit development is estimated as a \$60 million project.

Edge Management Area – Old Dominion University. Rehabilitation of a historic warehouse on 44th Street has begun. The building is the first along the Old Dominion University Edge Management area, an area that serves as a boundary for the University Village project. The developers are utilizing historic tax credits to retrofit the 52,000 square foot warehouse into 25 loft-style apartments and mini storage.

Residential Projects in Redevelopment Areas – Multifamily & Single family

Ocean View. The seven-mile stretch of beaches on the Chesapeake Bay known as Ocean View experienced redevelopment over the past decade. More than 200 new homes have been built in Ocean View with an average value of \$250,000. Several private and public redevelopment efforts are underway, adding homes to this revitalized area.

East Beach in Ocean View. The first phase of construction in East Beach began in early 2003. The City is guaranteed a minimum of \$8.5 million from the developer plus a commission on future lot sales. Infrastructure installed by the developer is estimated to be \$18 million. Once complete, the project will have 700 housing units with prices ranging from \$200,000 to \$1 million. Construction is anticipated to be complete within 10 years, adding approximately \$250 million to the tax base. As of December 10, 2004, ten of these homes have sold.

Broad Creek. Broad Creek is a \$200 million new community near Norfolk State University. Six hundred mixed-income homes are being built on the site of two former public housing projects. Through a \$35 million Hope VI grant from the U.S. Department of Housing and Urban Development, the Norfolk

Redevelopment and Housing Authority is replacing Norfolk's two oldest public housing developments with a mix of single and multi-family housing, some publicly subsidized, and a small commercial area. Plans for redevelopment of other areas of the Broad Creek Renaissance area are underway.

Fort Norfolk. The City utilized the Urban Land Institute's advisory services and implemented some of its concepts into the initial redevelopment phase of the Fort Norfolk/Atlantic City area, including the creation of a property owners group to work in conjunction with the City and prospective developers. Fort Norfolk is a 30-acre urban waterfront redevelopment area linking Downtown to the region's medical complex and Ghent community. The majority of the land is owned by private businesses and landowners who are working with the City to achieve a development plan for the future. Current projects include the \$107 million continuous care retirement community, which broke ground in November 2004 and Plum Point, a \$1.3 million public park, completed in 2004.

Church Street Corridor. In Westchurch, 26 new homes are completed and occupied with sales exceeding \$3.6 million.

Arts and Culture

Support for the Arts and Humanities

Norfolk is home to the Chrysler Museum of Art, Virginia Arts Festival, Virginia Ballet, Virginia Opera, Virginia Stage Company, and Virginia Symphony. A recent economic impact analysis revealed that in addition to recovering its annual grant investment in arts and cultural organizations, the net return to the City of Norfolk was \$1.70 for every \$1.00 invested for a return of almost three to one. Total direct fiscal impact in Fiscal Year 2003 of arts organizations was in excess of \$1 million. Approximately two-thirds of the City's revenue from the arts and cultural community is imported from patrons who reside outside of the City.

Performing Arts & Entertainment Venues

Norfolk's entertainment and theatre venues include the Attucks Theatre, the Harrison Opera House, Chrysler Museum, and the "Theater District" which includes Chrysler Hall, Jeanne and George Roper Theater, Wells Theatre, and the NorVa. In a study released by H. Blount Hunter in June 2004, Fiscal Impact of the Arts in Downtown, more than 400,000 patrons visited and spent in excess of \$1.1 million in retail and \$4.5 million for food while attending arts events. The D'Art Center is relocating into the historic Seldon Arcade. This new exhibition-style facility will feature artists-at-work studios where art is created and sold. The space also will feature a reception area and provide thoroughfare from Main Street to City Hall Avenue.

International Intermodal City Expansions

Cruise Norfolk

In 2004, Nauticus, the National Maritime Center will have received more than 100,000 cruise ship passengers and 40,000 crewmembers to Norfolk. This makes the City the eleventh largest cruise port in the country, which provides regular service to Bermuda, the Bahamas and the Caribbean. Construction on the 80,000 square-foot cruise terminal is set to begin in January 2005 with completion scheduled for September 2006. The National Oceanic and Atmospheric Administration (NOAA) recently announced Nauticus will serve as the location of its Virginia office for the Chesapeake Bay.

Norfolk Airport Authority

Over 600,000 visitors fly into the Norfolk area every year. They spend approximately \$438.7 million a year, creating over 10,000 local jobs with a payroll of over \$158 million. Norfolk International Airport tenants and visitors directly or secondarily provide the region with more than 16,840 jobs, annual paychecks of more than \$300 million and a total dollar output of over \$795.3 million. In the summer of 2004, Independence Air began service to Norfolk and has added flights since opening. Also according to

the Norfolk Airport Authority, through April 2004 Norfolk International Airport Passenger Traffic was up 10.71% over the same period in 2003, reaching all-time highs.

Hotel Development

Norfolk shows consecutive growth in hotel occupancy over the past four years. In 2002, the Norfolk Metropolitan Statistical Area (MSA) ranked first in the nation, experiencing the highest gains in both hotel occupancy growth and average daily rate for any major market. In 2004, average daily rates rose from \$62 to \$72 per room, citywide occupancies expanded from 56% to almost 70%, and total hotel revenues increased from \$72.2 million to \$88.8 million.

The Downtown hotel market consists of the Waterside Marriott Convention Center, Sheraton Waterside, Clarion James Madison, Radisson Hotel, the Tazewell and the Courtyard by Marriott, located adjacent to the MacArthur Center. The Norfolk Waterside Hotel has been under an interior renovation including a new street-level restaurant that opened in November 2004, in a \$1 million renovated space. The Sheraton Norfolk Waterside also is undergoing renovations including refurbished banquet and restaurant space and other public areas, totaling \$500,000.

Two hotels outside of Downtown opened in 2004, Springhill Suites at Newtown Road and Residence Inn by Marriott in Lake Wright Executive Center that together represent a \$31.5 million investment. The Lake Wright Convention Center was redeveloped into a Quality Inn and Sleep Inn with several convention and meeting room facilities, a \$15 million project.

Waterfront Recreation Investment

Over \$17 million of overall investment has been made recently along Norfolk's waterfronts. In Ocean View, adjacent to the East Beach slated retail area called "Little Annapolis" is the Taylor's Landing Boatel Marina, a \$10 million private investment bringing 500 new recreational boat slips to the area.

Sports and Recreation

Norfolk has several waterfronts with the Chesapeake Bay on its North boundary and two major rivers within its boundaries. The City has a public boat ramp in Willoughby Spit with access to the Chesapeake Bay, several other boat ramps and a rowing facility located in Lakewood Park.

The Norfolk Tides, the New York Mets' AAA baseball team, will open their 38th season in the City next spring. The team draws more than 500,000 fans annually to Harbor Park and the 5 millionth fan visited the baseball park last season. The 36-acre Harbor Park is on the Elizabeth River and hosts Tides baseball from April through September.

The Norfolk Admirals are a professional hockey club that plays its home games in the City's downtown sports facility, Scope Arena. They are one of 28 member teams of the American Hockey League (AHL), the developmental league for the National Hockey League (NHL). The Admirals are a minor league affiliate of the Chicago Blackhawks, an NHL franchise. The 2004-2005 season marks the Admirals' fifth year in the AHL.

Arena Racing made its debut in Norfolk's Scope Arena in the winter of 2002. Arena racing drivers race one-half-scale stock cars on an indoor track. In the 2004-2005 season, the Arena Racing schedule includes more than 8 events.

Norfolk has two golf courses within the City and a third executive course and driving range under development. Ocean View Golf Course is a recently renovated daily fee golf course in the northern portion of the City. Lake Wright Golf Course also is a daily fee course with newly installed golf cart paths. A third golf course is currently under development on a former 53-acre landfill located behind Old Dominion University. The facility will include a nine-hole executive course, a driving range and practice facility. Construction for this course began in early 2004, with an expected completion date in late 2005.

Norfolk also is the home of two major universities, Old Dominion and Norfolk State. Norfolk State is a member of the MEAC conference and has a new football stadium located on its campus. Old Dominion has soccer, field hockey, and baseball stadiums for its key sports as well as a brand new convocation center, the Ted Constant Center, to host its men's and women's basketball programs.

Retail Investment

Military Highway

New investments in the Military Highway area have increased annual retail sales. Investments include the creation of 109,000 square feet of individual shops from a refit of the Montgomery Ward store in the JANAF Shopping Center, and a \$5 million renovation project located in the heart of 94-acre JANAF Shopping Center that includes retailers such as Blockbuster, Shoe Carnival, Lane Bryant, K&G, Supercuts, E B Games, Quiznos, Alltel, Nailson, Wasabi Japanese Steakhouse and Sushi Bar, Woodcrafters.

JANAF itself hosts TJ Maxx, Old Navy, Sports Authority, Circuit City and other big box retailers. In an effort to create a more congruent village concept, new landscaping work will be completed in the shopping center. Also, a \$20 million expansion to an existing Super Wal-Mart, adjoining JANAF, opened in the fall of 2004.

The Green Gifford automobile dealership expanded to two locations on Military Highway with an investment of \$6 million. This includes a new Nissan dealership. Additional new investment along the corridor includes the addition of a Wachovia branch bank. Further west along the Military Highway corridor is the Greater Ward's Corner commercial area, which is covered below.

Downtown Retail: Mixed-Use Projects

The MacArthur Center, an urban mall and the result of a \$300 million public/private partnership, has served as a catalyst for investment in and around the Granby Street District. The Center opened with 70 stores new to the Hampton Roads region and 35 retailers new to Virginia. This development averages over 1 million monthly shoppers. Since the mall's opening, more than 60 sit-down restaurants have opened along the Granby corridor. The Granby District is continuing to fill and almost every storefront is occupied.

Three new development projects underway in Downtown feature storefront retail spaces – Trader Publishing, Tazewell Place and Granby Towers. New retail establishments have opened in the past year such as J.Austin's Men's Clothing, Elevations, Relative Theory Records and more.

Greater Wards Corner – (Includes Tidewater Drive and East Little Creek). Various other redevelopment projects are either planned or underway in the City. At Tidewater Boulevard and East Little Creek Road, adjacent to the Central Business Park, Wal-Mart is constructing a \$30 million, 207,000 square foot center that will employ 450 people. The 41-acre project is set to open in the summer of 2006. Under construction in Southern Shopping Center is a Ruby Tuesday's and an ABNB Credit Union was completed in 2004 at the entrance of Central Business Park.

A market study for the Greater Wards Corner Comprehensive Plan is underway. The plan indicates the potential for a new retail "Uptown District" between I-64 and Tidewater Drive, south of Little Creek Road. The plan suggests transforming this area into a mid-box retail district with a hotel – and in later phases – apartments and town houses. At Wards Corner, the plan suggests that when property owners along Granby Street and Little Creek Road are prepared to consider redevelopment, they rebuild the current strip shopping centers as mid-rise apartments built around private courtyards with street-level retail and hidden parking.

Berkley. Farm Fresh announced in November 2004 their plans to build a 25,000 square foot full-service grocery store at the Berkley Shopping Center site, located in the Berkley/Campostella area, home

to the largest concentration of shipbuilding and repair businesses in Hampton Roads. The grocery-anchored shopping center will be developed by Perrine and Wheeler, who plan to have 18,000 square feet of small shops. Investment is estimated at \$4.7 million.

Ghent. Ghent, an upscale boutique retail district, boasts 400,000 square feet of retail space and artsy lofts. A \$4 million renovation transformed an automobile facility into the new 21 West shopping center with 21,000 square feet of retail space. The center's retail portion is completely leased with such tenants as Total Wine, Coldstone Creamery, Quiznos, Katana Japanese Steakhouse, Starbucks, UPS and Moe's Southwest Grill. Product and service retail in the Granby district include new additions such as Changes City Spa, Color Me Mine, Garden Gazebo, Ribbits Toy Store, and Jake's Place.

Old Dominion University - University Village. Three new shops have been recently signed in the Village's retail spaces. It is anticipated that 70 percent of the space will be devoted to food service, with the remainder by retail services and boutiques. The buildings along Monarch Way encompass approximately 50,000 square feet of retail. So far, the university's public safety office and fitness center have opened.

Broad Creek. The Market Square is envisioned to encompass neighborhood-oriented businesses such as locally-owned bakeries, restaurants, florists, a medical office building and grocery store. Front building elevations will be close to the street with significant architectural details.

East Ocean View. Complementing the existing boat yard and docks on Pretty Lake will be a public plaza lined with more marina-related shops and restaurants. Above the street-level storefronts will be several stories of residences. In addition, the "Village Square" will be lined with shops with residences above.

Norfolk's Educational Institutions

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

Public Schools

Norfolk Public Schools have a low pupil-teacher ratio with class sizes well below the national average. Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary. The school system and the City have successfully worked together to provide the school's Early Childhood Program in three recreation centers and to establish a partnership between the school system and libraries that will result in extended learning and homework programs for middle and high school students.

Approximately \$90 million has been recently invested in Norfolk public schools. In 2004, the highly anticipated Norview High School was completed. Other facilities receiving renovations and new construction include Blair Middle School, Bay View Elementary, Granby High School, Meadowbrook and Taylor Elementary.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 students from six cities and two counties. The school system also has a program for gifted science students that enable them to study at Eastern Virginia Medical School.

During the 2002-2003 academic year the Norfolk Public Schools System received a number of awards and distinctions. The Council of the Great Schools, an organization consisting of approximately 60 of the nation's largest urban school districts, awarded Dr. John O. Simpson, superintendent for Norfolk Public Schools, the Richard R. Green Award during its Fall 2002 conference. Further, the Norfolk School Board (the "School Board") also earned national recognition during the school year. The School

Board was one of 24 school districts to receive the prestigious Magna Award, presented by the American School Board Journal, for the School Board's Parent Representation Program, a program designed to enhance student learning and encourage community involvement in schools. Finally, members of Norfolk Public Schools' Class of 2003 earned nearly \$12 million in scholarships to attend colleges and universities located throughout the country.

Student population for the past five years is shown in Table V-13.

Table V-13
City of Norfolk, Virginia
Public Schools Student Population
Average Daily Membership
Fiscal Years 1999-2004

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Percent Change</u>
1999	35,709	
2000	35,326	(0.11%)
2001	35,000	(0.09%)
2002	34,702	(0.09%)
2003	34,349	(0.10%)
2004	34,030	(0.09%)

Source: Virginia Department of Education. Superintendents Annual Report. Table 1, Membership.

Private Education

Over \$91 million has been invested in private educational facilities in the past five years, most of it in the past year. Saint Patrick Catholic School is slated to open in the fall of 2005. Specialized facilities concentrating on the arts and sports are increasingly popular. Norfolk Collegiate, Norfolk Academy and Norfolk Christian schools are all undergoing such development.

Higher Education

Old Dominion University. Old Dominion University (ODU) was founded in 1930 as the Norfolk Division of the College of William and Mary and became an independent institution in 1962. Currently, ODU is one of only 100 public research universities nationwide, with a full and part-time enrollment of nearly 21,000 students. The institution is a nationally recognized provider of distance learning programs, which are delivered to 60 sites within the Commonwealth, six other states, and at various military sites throughout the world. The University has a current \$600 million economic impact on the Hampton Roads region and operates a number of basic and applied research centers that complement the scientific work of NASA Langley, Jefferson Labs, and other federal and private laboratories in the region. Old Dominion University's online graduate engineering program is the largest in the nation, based on student enrollment numbers, thanks in large part to a unique CD-ROM program the University offers primarily to U.S. Navy nuclear-qualified officers.

Norfolk State University. Founded in 1935, Norfolk State University (NSU) is Virginia's largest public, historically black university (HBCU) and the seventh largest HBCU in the nation. The Fall 2003 enrollment total was 6,839. In addition to starting physical development of the R.I.S.E. Campus, the University is in the advanced stage of updating its Main Campus Master Plan and securing the City's endorsement. The University has Commonwealth of Virginia approval for a program of campus reinvestment and facilities construction and upgrades consistent with the updated master plan.

Virginia Wesleyan College. Virginia Wesleyan College, founded in 1966, is a private, coeducational, four-year liberal arts college on the Norfolk-Virginia Beach line. Approximately 1,442 students enrolled full and part-time in the 2004-2005 academic year. Virginia Wesleyan University's \$7.5 million, Village III Residences are expected to open early in 2005. This project will add 124 student beds

in high-end housing comprised of one three-story apartment building housing 92 students and eight townhouses holding 32 students

Tidewater Community College. Tidewater Community College (TCC) is the second largest of the 23 community colleges in the Commonwealth of Virginia, enrolling more than 34,000 students annually. The college has been nationally recognized for its work in incorporating the best of technological advances into the teaching and learning process. It was recently cited by the American Council on Education as one of eight “Promising Practices” colleges and universities in the country for its work in international education. Forty-three percent of the region's residents who attended a college or university in Virginia last fall were enrolled at TCC.

Eastern Virginia Medical School. Eastern Virginia Medical School (EVMS) is one of three medical schools in Virginia and is Hampton Roads’ first medical school. Students use over 30 area hospitals and clinics for practical training. The school relies on private funding, support from area cities, and limited state support to fulfill its mission. EVMS has made it possible for area residents to obtain specialized treatment locally, it has achieved a reputation which brings patients from other areas of the country for services in endocrinology, geriatrics pediatrics, oncology, otolaryngology, and reproductive medicine and infertility. EVMS recently successfully completed a \$62 million capital campaign that enabled it to create centers for biomedical research, general medical education and information technology, and aging and human development. The Medical School’s full-time enrollment is 426 for the 2004 – 2005 academic year.

Institutional Technology Parks

Old Dominion University – University Village. Old Dominion University, in partnership with the City, the Norfolk Redevelopment and Housing Authority, and private developers, has initiated a large scale, mixed-use redevelopment project adjacent to its campus. This redevelopment project, the University Village, will directly impact 75 acres (13 City blocks) and result in over \$260 million in private and public investments within the project boundaries as well as stimulate additional development in the vicinity. The project includes student housing accommodating 960 students in apartments opened in time for the fall 2004 semester, complemented by approximately 50,000 square feet of street-level retail facing the Constant Center. In addition to the \$47 million Ted Constant Convocation Center, investments are in land assembly, the South Parking Garage, research/office buildings, apartments, and a hotel.

Norfolk State University’s R.I.S.E Center. This 25-acre park will be an intergenerational, multi-purpose education and research facility enabling and promoting innovative applied technology development, business incubation and economic development activities. With a total of six Phases in all, facilities range from mixed-use labs, offices, and research to residential housing. Phases I & II will contain approximately 400,000 gross square feet, designed and constructed in a campus environment.

The second phase will house office spaces for new companies - these businesses will be able to take advantage of certain property tax breaks due to the building’s location in Norfolk’s enterprise/empowerment zone. In addition to the offices and tax breaks, the Center will feature technological advances including a guaranteed backup energy source that will function independently from the rest of the area and access to Internet3, the next generation of the Internet.

Technology Partnerships

The \$30 million Public Health Center on Brambleton Avenue is a state-funded, state-of-the-art facility housing the Norfolk district’s departments of Health, Forensics and other specialized agencies. In 2003, in a City-funded bio incubator space on the top floor, Eastern Virginia Medical School and Old Dominion University created a joint biotech research partnership – now home to a scientific world of biomedical research labs complete with laser technology and scientists. The Center for Bioelectronics is funded by grants awarded from the Federal Resources and Services Administration and the Air Force Office of Scientific Research.

In December 2004, Governor Warner proposed new forensic science funding for the expansion of the Eastern Regional Forensic Lab also located in the Public Health Center. The capital portion of the Governor's proposed amendments to the budget includes \$1.2 million to build-out 6,000 square feet of available space in the Eastern Regional Forensic Lab located in Norfolk. This expanded capacity will help meet the increased demand for scientific support by the criminal justice system.

VECTEC (Virginia Electronic Commerce Technology Center), at Christopher Newport University, assists small and mid-sized Virginia businesses with a variety of e-commerce services including e-commerce consulting, web site design and development, shopping systems and custom database development, e-government and non-profit assistance, e-commerce educational programs, and document and data retrieval services.

The Technology Applications Center (TAC) is an affiliate of Old Dominion University's College of Engineering and Technology. TAC leverages 30 state-of-the-art laboratory facilities and faculty expertise to solve specific engineering and management problems facing high-tech companies. TAC provides a wide spectrum of technical help including prototyping, customized testing, product development, and performance benchmarking.

The Economic Development Authority of the City of Norfolk continued funding two grants to be used by small businesses in 2004 totaling \$60,000 in appropriations to VECTEC and TAC.

Norfolk's Medical Institutions

Within the City of Norfolk there are a total of four general, acute care and specialized hospitals.

Sentara Healthcare. Sentara Norfolk General Hospital, a 569-bed tertiary care facility, is the region's only Level I Trauma Center. In 2002, Sentara Norfolk General's cardiac program ranked 23rd out of the 50 U.S. hospitals named for cardiac excellence.

Headquartered in Norfolk, Sentara is the premier not-for-profit health care provider in southeastern Virginia and northeastern North Carolina. Investments completed and underway include bricks and mortar and in cutting-edge technology. Sentara's new Heart Hospital will be a 112-bed, 254,000 square foot center – a \$100 million project. The Heart Hospital is leading the way for Sentara's 2010 expansion plan for the medical complex. Sentara Norfolk General also is investing approximately \$5 million in emergency room renovations.

Bon Secours DePaul Medical Center. The Bon Secours DePaul Medical Center has received \$8.6 million in state-of-the-art medical breakthrough equipment including advanced imaging services via a Computed Tomography (CT) Scanner, called the LightSpeed 16, the new EXCITE MRI machine that allows on-line viewing for physicians, and a Cardiac Catheterization Laboratory. In addition, a Linear Accelerator is coming on line in 2005 to allow more diagnostic information in the treatment of all types of cancers. DePaul's hospital-based cancer center is one of the area's leading providers of radiation therapy. The hospital also recently announced that it performed the first retinal endovascular cannulation procedure in Virginia. The Wound Care and Hyperbaric Oxygen Center identifies and corrects healing deficiencies responsible for problem wounds. Over 450 physicians practice at the Bon Secours facility.

Province Place of DePaul, the newest Bon Secours assisted living residence, opened in Spring 2000. This \$7.5 million facility is licensed to provide care to 96 residents.

Children's Hospital of the King's Daughters. Children's Hospital of The King's Daughters (CHKD) is the only facility of its kind in Virginia and includes a dedicated pediatric emergency center. It is both a health care facility and teaching hospital, through its affiliation with the Eastern Virginia Medical School, and is licensed for 186 beds. The not-for-profit hospital was founded in 1961 and provides care to nearly 130,000 children each year as inpatients and outpatients, addressing routine and complex illnesses, injuries and chronic conditions. The CHKD Health System operates primary care pediatric practices, surgical practices, multi-service Health Centers and satellite offices throughout its service region. Also, CHKD is affiliated with The Barry Robinson Center in Norfolk, a residential treatment center for children and adolescents with emotional problems or learning disabilities.

The Virginia Port Authority

In 1981, the Virginia General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, the Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest natural deep-water harbors, is an integral part of Norfolk's economy.

Norfolk's location is suitable for international transportation and maritime commerce. Situated in the middle of the U.S. Atlantic coast, the City serves as a gateway between world commerce centers and the industrial heartland of the United States. Accordingly, the local port industry has grown significantly. In addition to the Norfolk International Terminals, the Port of Virginia consists of Virginia's state-owned port system including Newport News Marine Terminal, Portsmouth Marine Terminal and Virginia Inland Port in Warren County.

The Virginia Port Authority is one of the largest general cargo ports on the east coast of the United States. In 2003, nearly 14 million tons of cargo shipped from the region's three main marine cargo terminals, marking the tenth consecutive year the Port of Virginia handled a record amount of general cargo. The cargo volume shipped in 2003 increased by 8.3% over that of 2002. Through October 2004, general cargo tonnage was up 5.5% from the same period in 2003. As a result of the events of September 11th, concern for security risk has increased. The Port of Virginia is one of the few U.S. Customs ports utilizing a computerized, truck-mounted gamma-ray machine to check containers' density. This technology allows monitors to ensure that the cargo being tested is what it is supposed to be and takes only 6 seconds per container.

Table V-14
Virginia Port Authority Terminals
General Cargo Tonnage
Calendar Years 1999 – 2003

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Totals	11,813,048	11,969,105	11,546,482	12,824,430	13,983,616

Source: Virginia Port Authority.

Port-related business increased at the Virginia International Terminals, driving new capital investment into the region. By 2010, a 300-acre expansion of Norfolk International Terminal will be completed making it the largest inter-modal center in the United States. Strong growth in Asian shipping; West Coast ports' labor lockouts; as well as increasing traffic at regional distribution centers, have increased business at the Port of Virginia. Norfolk International Terminals (NIT) and the south berth are undergoing a \$280 million renovation that includes the purchase of eight of the largest container cranes in the world. The entire project should be completed by summer, 2005. Phase I of the NIT South wharf construction project is over 75% complete. Phase II of the NIT South improvements focuses on the backlands reconstruction for the straddle carrier operation and renovation of 96 acres of container yard. In addition, the NIT Command and Control Center is 99% complete and provides state-of-the-art facility for Security Operations, an additional \$5.6 million investment.

Business, Industry and Commerce

A variety of industrial, commercial and service employers are located within the City. Table V-15 presents data regarding the principal businesses in the City.

Table V-15
City of Norfolk, Virginia
Principal Non-Government Employers in 2004

Company	Number of Employees	Product/Service
	10,000+	
Sentara Healthcare		Health Care Facilities
	2,500 - 9,999	
Ford Motor Company, Inc.		Truck Manufacturing
	1,500 - 2,499	
Bank of America, NA		Banking
Children's Hospital of The King's Daughter		Health Care Facilities
Old Dominion University		Colleges and Universities
	1,000 - 1,499	
Bon Secours DePaul Medical Center		Health Care Facility
Landmark Communications, Inc.		Newspapers and Media
Medical College of Hampton Roads		Private Colleges and Universities
Norfolk Southern Corporation		Railroads
NORSHIPCO		Shipbuilders and Repairers
	500 – 999	
American Funds Group		Mutual Funds
Anderson Commercial Photography		Commercial Photography
Coopervision		Wholesale Optical Goods
General Foam Plastics Corporation		Plastic Extractions
Metro Machine Corporation		Ship Builders and Repairers
Nash Finch Company, Inc.		Food Retail and Distribution
Norfolk Southern Corporation		Railroads
YMCA		Social Service
SunTrust Financial Corporation		Commercial Banking
Wachovia Corporation		Banking

Source: Virginia Employment Commission, 1st Quarter, 2004.

Table V-16 is a representation of selected business growth or expansion in Fiscal Year 2004.

Table V-16
City of Norfolk, Virginia
Business Growth
A Sampling of Business Activity in 2004

ABNB Federal Credit Union	\$1,000,000	New branch in Central Business Park
Boatel - East Ocean View	10,000,000	66,000 square foot building with a 500-boat dry storage capacity. Includes a bait and tackle store at Taylor's Landing Marina.
CMA CGM	11,500,000	North American maritime headquarters in Lake Wright Executive Center
Continental Broadband	233,000	Internet Service Provider
Delphinus Engineering	2,250,000	Central Business Park; 2 buildings; 27,000 square foot building
Ford Norfolk Assembly Plant	35,000,000	Expansion
Furniture Classics consolidation	2,500,000	Purchased the Glopar Building (140,000 square feet) which will consolidate six warehouses.
Hampton Roads Maritime Association	10,000,000	Terminal Boulevard
Independence Air	---	Low-fare air carrier
Marine Hydraulics International	15,000,000	Purchase of 6 acres including 1,400 foot pier
Mark Barr I	1,800,000	Central Business Park; 2.4 acres; 18,700 square foot building
Mark Barr II	1,800,000	Central Business Park; .02 acres; 19,500 square foot building
P & P LLC	3,000,000	Office/Flex space at 18 th & Church Streets
Central Center Buildings	4,000,000	40,000 square foot building in Central Business Park; 3 stories
Ride-A-Way Corp.	1,000,000	Disabled-modified vehicles supplier
Rutter Mills law firm	2,300,000	Purchase and renovation of the Commonwealth Building and Loan Association building
Sentara Heart Hospital	100,000,000	Heart hospital
Targeted Publications	550,000	Specialty publications
Taylor Real Estate, Inc.	5,000,000	Central Business Park; 6.2 acres; three 20,000 square foot flex buildings
Trader Publishing Electronic Media Headquarters	51,000,000	High rise office tower with ground floor retail and 444-space parking garage
Virginia Oncology Phase II	2,000,000	Radiology lab equipment
	<u>\$259,933,000</u>	

Business Parks

Central Business Park. At Southern Shopping Center, adjacent to Central Business Park (CBP), a \$30 million Wal-Mart store has been announced and will be developed. In addition, ABNB (Army Base Navy Base) Federal Credit Union opened a new branch in February 2004 on the site. Planned office building development includes: 1) the Central Center Building, a 40,000 square foot three-story office development; 2) three, 20,000 square foot flex buildings on 6.2 acres; 3) a 26,000 square foot building and a 50,100 square foot building on 4.7 acres; and 4) a 18,700 square foot and a 19,500 square foot multi-tenant office/flex buildings costing \$1.8 million each on a 2.0 acre site and a 2.4 acre site. These planned projects will nearly complete the build out of the 41.0-acre Park, which is marketed at \$115,000 per acre.

Newtown Road Area. Development in the general area encompassing Newtown Road, I-64/Koger and Riverside Corporate Center includes Springhill Suites, a \$14.5 million, 120-suite hotel project, and a new Ruby Tuesday's. Further, Portfolio Recovery Associates built a \$2.5 million, 25,000 square foot building in the Riverside Corporate Center, which opened in 2003.

Church Street. P&P LLC office/flex space at 18th & Church Streets, a \$5.3 million project, is a public/private project between P&P, LLC and the City of Norfolk. It will create a flex/office park with seven buildings on approximately five acres. Four office buildings will measure 10,000 to 11,000 square feet each; and the three office/flex buildings will be 10,000 square feet each.

Norfolk Industrial Park. The Norfolk Industrial Park and adjacent land serve as home to several of the City's most rapidly expanding businesses. The majority of the park is in a special district zoned for empowerment, enterprise and hub zone benefits. Recently, MDV Nash Finch, a large distributor of perishable goods for the U.S. military command in Norfolk, expanded its presence in the Norfolk Industrial Park by purchasing a vacant 200,000 square foot warehouse facility for \$3.4 million. The company is making additional capital improvements to the property for a total investment of approximately \$1.2 million.

Lake Wright Executive Center. In February 2004, the City announced that CMA CGM would consolidate their North American headquarters and operations from New Jersey and Virginia Beach to Lake Wright Executive Center. They are building an 80,000 square foot office building on the last remaining parcel at Lake Wright. Total private investment is to be over \$11.5 million. They will create over 375 new jobs for Norfolk with an average salary of over \$40,000, excluding benefits. This completes the development of Lake Wright Executive Center, which has received over \$40 million of new investment in the past year. In May 2004, Virginia Oncology Associates moved into Lake Wright's medical office building that was developed by the Gee's Group.

Maritime Business Investment

The new Hampton Roads Maritime Center is a complement to the Virginia Port's expansion. The construction of this 23-acre center on International Terminal Boulevard was announced in August 2004 and is scheduled for completion by late spring 2005. The \$10 million project will house two shipping industry trade groups, the Hampton Roads Maritime and the Hampton Roads Shipping Associations. The complex will include two office buildings, a 15-foot sound wall and a training work yard.

In 2004, Marine Hydraulics International, Inc. opened the largest privately owned pier on the East Coast, investing \$21 million in a 1,220 foot long new pier at Lamberts Point made with 6.25 miles of concrete and 300,000 pounds of steel. This new pier is capable of docking four destroyers or two aircraft carriers.

Dredging has begun on the \$400 million Maersk Sealand cargo terminal on 560 undeveloped acres on the Portsmouth waterfront – across the Elizabeth River from the downtown and Berkley sections of Norfolk with construction of the terminal expected to be completed in 2007. The facility will feature 4,000 feet (1,219 meters) of deepwater berth space (four times the current amount), and serve as a Mid-Atlantic platform for future growth. Many high profile international companies have significant operations in the region and others are actively eyeing major distribution centers for the future. The amount of cargo shipped through Hampton Roads is expected to at least double by 2020, in part due to the area's attraction as a major distribution center. A.P. Møller is the parent company of Maersk Sealand, the world's largest shipping line.

Military

The presence and role of the military in Norfolk remains a positive force and continues to have a significant impact on the local economy. The City is the home of the world's largest naval complex, with headquarters for Commander in Chief of U.S. Atlantic Command, NATO's Supreme Allied Command Atlantic, Commander in Chief U.S. Atlantic Fleet and other major naval commands. Although the military remains a key part of Hampton Roads' economy, the region has successfully diversified its economy in recent years.

The Navy's direct economic impact on the region was \$9.97 billion in 2003, comprised of a total annual payroll of \$6.37 billion and the balance consumed on goods and services and procurement contracts. The City expects to continue as a center of activity for the U.S. Navy with current total

personnel (military and civilian) in excess of 70,000. There were 85,002 active-duty Navy military personnel in Hampton Roads in 2003, of which 71% were assigned to Norfolk.

Hampton Roads is the largest center of Coast Guard units in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

NATO announced plans to expand its headquarters in Norfolk in December 2004. NATO leaders unveiled a \$6.9 million, five-story expansion to its Norfolk complex, part of an \$11 million, multiyear project. The work is expected to be completed in 2006. The Allied Command Transformation, one of two NATO supreme commands expects to expand its civilian and military work force 16 percent to 750 employees from 624 by 2006.

APPENDIX A

CITY OF NORFOLK, VIRGINIA
GENERAL PURPOSE FINANCIAL
STATEMENTS FOR THE FISCAL YEAR
ENDED JUNE 30, 2004

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APPENDIX B

FORM OF PROPOSED LEGAL OPINION OF BOND COUNSEL

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[Form of Opinion of Bond Counsel]

March 2, 2005

Mayor and Council of the
City of Norfolk, Virginia
City Hall Building
Norfolk, Virginia 23510

\$94,355,000
City of Norfolk, Virginia
General Obligation Capital Improvement and Refunding Bonds,
Series 2005

Lady and Gentlemen:

We have served as Bond Counsel to the City of Norfolk, Virginia (the "City"), in connection with the issuance and sale of its \$94,355,000 General Obligation Capital Improvement and Refunding Bonds, Series 2005 (the "2005 Bonds"), dated March 2, 2005.

We have examined the Constitution of Virginia and the applicable laws of the Commonwealth of Virginia and the United States and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation. In addition, we have relied on computations provided to McGladrey & Pullen, LLP, the mathematical accuracy of which was verified by them, relating to the yield of certain investments purchased with a portion of the proceeds of the 2005 Bonds and the yield on the 2005 Bonds, again without undertaking to verify them by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The 2005 Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City.
2. The Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the 2005 Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
3. Interest on the 2005 Bonds (including any accrued "original issue discount" properly allocable to the 2005 Bonds) is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations (a "Specific Tax Preference Item"). It should be noted, however, that for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code"), interest

on the 2005 Bonds must be included in computing adjusted current earnings. The "original issue discount" on any 2005 Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the 2005 Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers.

In delivering this opinion, we are assuming continuing compliance with the covenant by the City to comply with the provisions of the Code, so that interest on the 2005 Bonds will remain excludable from gross income for federal income tax purposes and not become a Specific Tax Preference Item. Failure by the City to comply, subsequent to the issuance of the 2005 Bonds, with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds, the use of property financed thereby and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the 2005 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2005 Bonds.

4. Interest on the 2005 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia.

The rights of the owners of the 2005 Bonds and the enforceability of those rights are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the 2005 Bonds and the tax-exempt status of the interest on them. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2005 Bonds and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the 2005 Bonds in making a decision to purchase the 2005 Bonds.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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[FORM OF CONTINUING DISCLOSURE AGREEMENT]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Norfolk, Virginia (the "City"), in connection with the issuance by the City of \$_____ original aggregate principal amount of its General Obligation Capital Improvement and Refunding Bonds, Series 2005 (the "Bonds"), pursuant to a bond ordinance adopted by the Council of the City on February 15, 2005 (the "Ordinance"). The proceeds of the Bonds are being used by the City, along with other available funds, to (a) finance all or a portion of the City's Capital Improvement Program, as the Council of the City may amend it from time to time; (b) refund certain of [the City's (i) General Obligation Capital Improvement and Refunding Bonds, Series 1998, (ii) General Obligation Capital Improvement Bonds, Series 1999, (iii) General Obligation Capital Improvement Bonds, Series 2000, (iv) General Obligation Capital Improvement and Refunding Bonds, Series 2002 and (v) General Obligation Capital Improvement and Refunding Bonds, Series 2002B] and (c) pay the issuance costs of the Bonds. Pursuant to the Ordinance, the City approved the offering and sale of the Bonds to the public pursuant to an Official Statement relating to the Bonds, dated March __, 2005 (the "Final Official Statement"). The City has determined that it constitutes an "obligated person" within the meaning of the Rule (as hereinafter defined) with respect to the Bonds and, accordingly, hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement; Representation. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Participating Underwriters (as defined below) in complying with the Rule (as defined below). The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

(i) the financial statements (consisting of at least a statement of net assets, a statement of cash flows and a statement of revenues, expenses and changes in fund net assets for all governmental/enterprise funds) of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time; and

(ii) updates of the operating data contained in the sections in the Final Official Statement "Table II-3, Key Debt Trends," "Table II-6, Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita," "Table III-3, Assessed Value of Taxable Property," "Table III-5, Tax Rates and Equalization Factors," "Table III-7, Real and Personal Property Tax Levies and Collections," "Table III-8, Ten Principal Real Property Taxpayers" and "Table III-16, Comparative Statement of Revenue and Expenditures, General Fund."

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of an Obligation.

"Make Public" or **"Made Public"** has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean each nationally recognized municipal securities information repository approved as such by the SEC from time to time.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"SID" shall mean any state-based information depository existing from time to time in the Commonwealth of Virginia for the purpose of receiving information concerning municipal securities and recognized as such by the SEC.

Section 3. Obligations of the City. (a) The City shall complete the preparation of the Annual Financial Information with respect to any Fiscal Year of the City not later than 270 days after the end of such Fiscal Year.

(b) The City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information within 30 days after it is prepared.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on any credit enhancement maintained with respect to the Bonds reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of interest on the Bonds;
- (vii) modifications to rights of Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds;
- (xi) rating changes; and
- (xii) the failure of the City on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (c) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(d) The City shall notify each NRMSIR (as defined below) of any change in its Fiscal Year not later than the date on which it first provides any information to the NRMSIRs in the current Fiscal Year.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to each of the following as herein required:

(i) each NRMSIR, at its then current address, including the following NRMSIRs existing as of the date hereof:

Bloomberg Municipal Repository
 100 Business Park Drive
 Skillman, New Jersey 08558
 Phone: (609) 279-3225
 Fax: (609) 279-5962
 Email: Munis@Bloomberg.com

DPC Data Inc.
 One Executive Drive
 Fort Lee, New Jersey 07024
 Phone: (201) 346-0701
 Fax: (201) 947-0107
 Email: Nrmsir@dpcdata.com

Standard & Poor's Securities Evaluations, Inc.
 55 Water Street, 45th Floor

New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Preliminary Market Information)
Email: NRMSIR@FTID.com

(ii) at its then current address, the SID, if any; provided that in the case of any information Made Public under Section 3(c), such information may be provided to the MSRB at the following address (or such other address as may at the time be in effect), in lieu of providing it to the NRMSIRs as described in clause (i) above:

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, Virginia 22314
Phone: (703) 797-6600
Fax: (703) 797-6704

Section 5. Incorporation by Reference. Any or all of the Annual Financial Information may be incorporated by reference from other documents, including official statements containing information with respect to the City, which have been filed with each of the NRMSIRs or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 6. CUSIP Numbers. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the NRMSIRs, the MSRB and/or the SID pursuant to Sections 3 and 4.

Section 7. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and to the Participating Underwriters for the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth

in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(c), in addition to that which is required by this Disclosure Agreement. If the City chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(c), in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 11. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or other debt authorization of the City, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 12. Central Post Office. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Participating Underwriters and Holders from time to time of the City's Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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Date: March __, 2005

CITY OF NORFOLK, VIRGINIA

By: _____
City Manager,
City of Norfolk, Virginia

By: _____
Director of Finance,
City of Norfolk, Virginia

Approved as to Form and Correctness:

Office of City Attorney
City of Norfolk, Virginia

[Signature Page to Continuing Disclosure Agreement]

APPENDIX D

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation_____
President

Attest: _____

Assistant Secretary

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